



LODI CITY COUNCIL

Carnegie Forum
305 West Pine Street, Lodi

AGENDA – REGULAR MEETING

Date: January 16, 2008

Time: Closed Session 6:00 p.m.
Regular Meeting 7:00 p.m.

For information regarding this Agenda please contact:

Randi Johl

City Clerk

Telephone: (209) 333-6702

NOTE: All staff reports or other written documentation relating to each item of business referred to on the agenda are on file in the Office of the City Clerk, located at 221 W. Pine Street, Lodi, and are available for public inspection. If requested, the agenda shall be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. To make a request for disability-related modification or accommodation contact the City Clerk's Office as soon as possible and at least 24 hours prior to the meeting date.

C-1 Call to Order / Roll Call

C-2 Announcement of Closed Session

- a) Conference with Blair King, City Manager, and Jim Krueger, Deputy City Manager (Acting Labor Negotiators), Regarding Lodi Police Dispatchers Association, International Brotherhood of Electrical Workers, and Association of Lodi City Employees Regarding Maintenance and Operators and General Services Pursuant to Government Code §54957.6
- b) Threatened Litigation: Government Code §54956.9(b); One Case; Potential Suit by Part-Time Employees Regarding CalPERS Enrollment Against City of Lodi

C-3 Adjourn to Closed Session

NOTE: THE FOLLOWING ITEMS WILL COMMENCE NO SOONER THAN 7:00 P.M.

C-4 Return to Open Session / Disclosure of Action

A. Call to Order / Roll call

B. Invocation – Pastor Chris Chavez, Heartland Community Church

C. Pledge of Allegiance

D. Presentations

- D-1 Awards – None
- D-2 Proclamations – None
- D-3 Presentations

- a) Presentation to David Akin for 2007 Parks and Recreation Commission Chairmanship (PR)

E. Consent Calendar (Reading; Comments by the Public; Council Action)

- E-1 Receive Register of Claims in the Amount of \$6,697,178.55 (FIN)

- E-2 Approve Minutes (CLK)

- a) December 18, 2007 (Shirtsleeve Session)
- b) December 19, 2007 (Regular Meeting)
- c) December 25, 2007 (Shirtsleeve Session)
- d) January 1, 2008 (Shirtsleeve Session)
- e) January 2, 2008 (Regular Meeting)
- f) January 8, 2008 (Shirtsleeve Session)

- E-3 Approve Request for Proposal for Acceptance Test and Commissioning of the Killelea Substation Rehabilitation Project (EUD)

- Res. E-4 Adopt Resolutions Authorizing the City Manager to Execute Agreements Regarding Woodbridge Irrigation District Connection for Providing Surface Water and Appropriating Funds (\$92,000) (PW)
- Res. E-5 Accept Improvements under Contract for the Water and Wastewater Main Replacement Program, Project No. 3, Various Locations (PW)
- Res. E-6 Adopt Resolution Accepting Improvements in Century Meadows Park, 1833 Lexington Drive (PW)
- Res. E-7 Adopt Resolution Authorizing the City Manager to Approve the Northern California Power Agency Green Power Project Amended 3rd Phase Agreement (EUD)
- Res. E-8 Adopt Resolution Ratifying the Employment Agreement Extension between the City Manager and Electric Utility Director George Morrow (CM)
- Res. E-9 Adopt Resolution Amending Memorandum of Understanding between the City of Lodi and the Police Officers Association of Lodi for the Period of October 9, 2007 through October 8, 2011 (CM)
- Res. E-10 Adopt Resolution Amending Memorandum of Understanding between the City of Lodi and the Lodi Professional Firefighters for the Period July 1, 2007 through December 31, 2009 (CM)
- E-11 Affirm Project Nominations for San Joaquin Council of Governments' One Voice Trip (CM)
- E-12 Deny Request from San Joaquin Partnership for \$25,000 to Serve as a Partial Match for a Grant for the Stockton Metropolitan Airport (CM)

F. Comments by the Public on Non-Agenda Items

THE TIME ALLOWED PER NON-AGENDA ITEM FOR COMMENTS MADE BY THE PUBLIC IS LIMITED TO FIVE MINUTES.

The City Council cannot deliberate or take any action on a non-agenda item unless there is factual evidence presented to the City Council indicating that the subject brought up by the public does fall into one of the exceptions under Government Code Section 54954.2 in that (a) there is an emergency situation, or (b) the need to take action on the item arose subsequent to the agenda's being posted.

Unless the City Council is presented with this factual evidence, the City Council will refer the matter for review and placement on a future City Council agenda.

G. Comments by the City Council Members on Non-Agenda Items

H. Comments by the City Manager on Non-Agenda Items

I. Public Hearings – None

J. Communications

J-1 Claims Filed Against the City of Lodi – None

J-2 Appointments

- a) Post for One Vacancy on the Lodi Arts Commission and Re-Post for Remaining Three Vacancies on Said Commission (CLK)

J-3 Miscellaneous

- a) Monthly Protocol Account Report (CLK)

K. Regular Calendar

- K-1 Consider Request from San Joaquin County Supervisor Ken Vogel Seeking Financial Assistance for the Development of an Armstrong Road Agricultural/Cluster Zoning Classification (CM)

- Res. K-2 Adopt Resolution Approving Amendment to Woodbridge Irrigation District Water Purchase Agreement (PW)
- Res. K-3 Mid-Year Budget Review and Adopt Resolution Revising 2007-08 Budget Appropriations (CM)
- K-4 Review of City's Annual Financial Report (Fiscal Year 2006-07) by Macias, Gini & O'Connell, LLP (CM)
- Res. K-5 Adopt Resolution Authorizing the City Manager to Execute Professional Services Agreement with Mark Thomas & Company and Cooperative Agreement with San Joaquin Council of Governments for Preparation of State Route 99/Harney Lane Interchange Project Study Report and Project Report and Appropriating Funds (\$700,000) (PW)

L. Ordinances – None

M. Adjournment

Pursuant to Section 54954.2(a) of the Government Code of the State of California, this agenda was posted at least 72 hours in advance of the scheduled meeting at a public place freely accessible to the public 24 hours a day.

Randi Johl
City Clerk



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Presentation to Mr. David Akin for his 2007 Parks and Recreation Commission Chairmanship

MEETING DATE: January 16, 2008

PREPARED BY: Parks and Recreation Director

RECOMMENDED ACTION: That Mayor Mounce present Parks and Recreation Commissioner David Akin with a certificate of appreciation for his service as the 2007 Parks and Recreation Commission Chairman.

BACKGROUND INFORMATION: Mr. David Akin was appointed to the Parks and Recreation Commission on 3/17/04. He was elected 2007 Chairman by his fellow Commissioners and served for the year.

FISCAL IMPACT: None

FUNDING AVAILABLE: None needed

Steve Dutra
Interim Parks and Recreation Director

SD:tl

cc: City Attorney

APPROVED: _____
Blair King, City Manager



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Receive Register of Claims Dated December 6, December 13, December 20, December 27, 2007 in the Total Amount of \$6,697,178.55

MEETING DATE: January 16, 2008

PREPARED BY: Financial Services Manager

RECOMMENDED ACTION: Receive the attached Register of Claims for \$6,697,178.55

BACKGROUND INFORMATION: Attached is the Register of Claims in the amount of \$6,697,178.55 dated 12/06/07, 12/13/07, 12/20/07 and 12/27/07. Also attached is Payroll in the amount of \$2,581,607.32

FISCAL IMPACT: n/a

FUNDING AVAILABLE: As per attached report.



Ruby R. Paiste, Financial Services Manager

RRP/rp

Attachments

APPROVED: 

Blair King, City Manager

Accounts Payable
Council Report

Page
Date
Amount

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As of Thursday	Fund	Name	
12/06/07	00100	General Fund	805,875.06
	00122	Equipment Replacement Fund	16,100.55
	00123	Info Systems Replacement Fund	702.53
	00130	Redevelopment Agency	8,103.00
	00160	Electric Utility Fund	41,135.80
	00161	Utility Outlay Reserve Fund	98.06
	00164	Public Benefits Fund	750.80
	00170	Waste Water Utility Fund	30,507.32
	00171	Waste Wtr Util-Capital Outlay	29,802.68
	00172	Waste Water Capital Reserve	1,454,872.16
	00180	Water Utility Fund	48,499.45
	00181	Water Utility-Capital Outlay	6,830.36
	00182	IMF Water Facilities	1,779.10
	00210	Library Fund	3,141.33
	00260	Internal Service/Equip Maint	5,273.83
	00270	Employee Benefits	429,757.13
	00310	Worker's Comp Insurance	26,183.03
	00321	Gas Tax	6,906.43
	00325	Measure K Funds	439,840.00
	00340	Comm Dev Special Rev Fund	1,312.99
	01211	Capital Outlay/General Fund	23,806.22
	01241	LTF-Pedestrian/Bike	3,136.64
	01250	Dial-a-Ride/Transportation	158,180.59
	01410	Expendable Trust	22,262.69
Sum			3,564,857.75
	00184	Water PCE-TCE-Settlements	105,663.31
Sum			105,663.31
Total for Week			
Sum			3,670,521.06

Accounts Payable
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As of Thursday	Fund	Name	Amount
12/13/07	00100	General Fund	451,536.47
	00123	Info Systems Replacement Fund	1,562.74
	00130	Redevelopment Agency	16,083.00
	00160	Electric Utility Fund	17,438.55
	00161	Utility Outlay Reserve Fund	43,012.72
	00164	Public Benefits Fund	602.71
	00170	Waste Water Utility Fund	46,372.46
	00172	Waste Water Capital Reserve	48,480.44
	00180	Water Utility Fund	1,816.77
	00210	Library Fund	5,044.95
	00234	Local Law Enforce Block Grant	560.30
	00260	Internal Service/Equip Maint	4,238.96
	00300	General Liabilities	2,139.14
	00310	Worker's Comp Insurance	28,693.52
	00321	Gas Tax	2,458.04
	00325	Measure K Funds	2,737.80
	00326	IMF Storm Facilities	2,445.00
	00329	TDA - Streets	2,002.59
	00340	Comm Dev Special Rev Fund	2,200.80
	01211	Capital Outlay/General Fund	3,705.21
	01212	Parks & Rec Capital	127,262.24
	01250	Dial-a-Ride/Transportation	9,480.18
	01410	Expendable Trust	19,003.44
Sum			838,878.03
	00184	Water PCE-TCE-Settlements	635.86
	00190	Central Plume	21,754.24
Sum			22,390.10
Total for Week			
Sum			861,268.13

Accounts Payable
Council Report

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As of Thursday	Fund	Name	
12/20/07	00100	General Fund	303,074.42
	00123	Info Systems Replacement Fund	510.31
	00160	Electric Utility Fund	60,728.98
	00164	Public Benefits Fund	22,576.58
	00170	Waste Water Utility Fund	19,577.58
	00172	Waste Water Capital Reserve	16,232.04
	00180	Water Utility Fund	308,666.95
	00181	Water Utility-Capital Outlay	107.75
	00182	IMF Water Facilities	1,585.50
	00210	Library Fund	6,628.64
	00234	Local Law Enforce Block Grant	179.50
	00235	LPD-Public Safety Prog AB 1913	61.56
	00260	Internal Service/Equip Maint	25,850.66
	00321	Gas Tax	19,224.67
	00340	Comm Dev Special Rev Fund	37,400.26
	00502	L&L Dist Z1-Almond Estates	1,966.92
	00503	L&L Dist Z2-Century Meadows I	1,650.81
	00506	L&L Dist Z5-Legacy I,II,Kirst	2,493.75
	01241	LTF-Pedestrian/Bike	2,909.80
	01250	Dial-a-Ride/Transportation	141,161.07
	01410	Expendable Trust	365.81
Sum			972,953.56
	00184	Water PCE-TCE-Settlements	739.50
	00190	Central Plume	616.54
Sum			1,356.04
Total for Week			
Sum			974,309.60

Accounts Payable
Council Report

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As of Thursday	Fund	Name	
12/27/07	00100	General Fund	434,128.38
	00130	Redevelopment Agency	7,536.94
	00160	Electric Utility Fund	14,205.84
	00161	Utility Outlay Reserve Fund	287,101.08
	00164	Public Benefits Fund	12,812.52
	00170	Waste Water Utility Fund	7,489.26
	00171	Waste Wtr Util-Capital Outlay	55,349.62
	00172	Waste Water Capital Reserve	440.50
	00180	Water Utility Fund	942.54
	00181	Water Utility-Capital Outlay	72.19
	00182	IMF Water Facilities	780.00
	00210	Library Fund	5,312.08
	00260	Internal Service/Equip Maint	22,319.25
	00270	Employee Benefits	11,355.06
	00310	Worker's Comp Insurance	10,500.00
	00321	Gas Tax	6,605.80
	00325	Measure K Funds	93,318.30
	00340	Comm Dev Special Rev Fund	10,713.09
	00459	H U D	133.69
	01212	Parks & Rec Capital	1,000.00
	01218	IMF General Facilities-Adm	5,012.71
	01250	Dial-a-Ride/Transportation	2,154.43
	01410	Expendable Trust	10,929.88
Sum			1,000,213.16
	00184	Water PCE-TCE-Settlements	190,866.60
Sum			190,866.60
Total for Week			
Sum			1,191,079.76

Council Report for Payroll

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Date

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01/07/08

Payroll	Pay Per Date	Co	Name	Gross Pay
-				
Regular	12/02/07	00100	General Fund	948,817.02
		00160	Electric Utility Fund	143,642.41
		00164	Public Benefits Fund	5,208.75
		00170	Waste Water Utility Fund	84,828.45
		00180	Water Utility Fund	1,716.95
		00210	Library Fund	35,039.66
		00235	LPD-Public Safety Prog AB 1913	3,390.74
		00260	Internal Service/Equip Maint	21,210.38
		00321	Gas Tax	55,589.57
		00340	Comm Dev Special Rev Fund	37,354.33
		01250	Dial-a-Ride/Transportation	3,114.56
Pay Period Total:				
Sum				1,339,912.82
	12/16/07	00100	General Fund	846,476.95
		00160	Electric Utility Fund	150,034.36
		00164	Public Benefits Fund	5,208.75
		00170	Waste Water Utility Fund	81,591.91
		00180	Water Utility Fund	1,562.48
		00210	Library Fund	35,270.88
		00235	LPD-Public Safety Prog AB 1913	4,286.58
		00260	Internal Service/Equip Maint	21,290.34
		00321	Gas Tax	57,189.28
		00340	Comm Dev Special Rev Fund	35,668.41
		01250	Dial-a-Ride/Transportation	3,114.56
Pay Period Total:				
Sum				1,241,694.50



TM

CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Approve Minutes
a) December 18, 2007 (Shirtsleeve Session)
b) December 19, 2007 (Regular Meeting)
c) December 25, 2007 (Shirtsleeve Session)
d) January 1, 2008 (Shirtsleeve Session)
e) January 2, 2008 (Regular Meeting)
f) January 8, 2008 (Shirtsleeve Session)

MEETING DATE: January 16, 2008

PREPARED BY: City Clerk

RECOMMENDED ACTION: Approve the following minutes as prepared:
a) December 18, 2007 (Shirtsleeve Session)
b) December 19, 2007 (Regular Meeting)
c) December 25, 2007 (Shirtsleeve Session)
d) January 1, 2008 (Shirtsleeve Session)
e) January 2, 2008 (Regular Meeting)
f) January 8, 2008 (Shirtsleeve Session)

BACKGROUND INFORMATION: Attached are copies of the subject minutes, marked Exhibits A through F.

FISCAL IMPACT: None.

FUNDING AVAILABLE: None required.

Randi Johl
City Clerk

RJ/JMP

Attachments

APPROVED: _____
Blair King, City Manager

**CITY OF LODI
INFORMAL INFORMATIONAL MEETING
"SHIRTSLEEVE" SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, DECEMBER 18, 2007**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, December 18, 2007, commencing at 7:00 a.m.

A. ROLL CALL

Present: Council Members – Hansen, Hitchcock, Johnson, Katzakian, and Mayor Mounce

Absent: Council Members – None

Also Present: City Manager King, City Attorney Schwabauer, and City Clerk Johl

B. TOPIC(S)

B-1 "Killelea Substation Tour and Update"

Electric Utility Director George Morrow provided a brief presentation regarding the status of the Killelea Substation project. General topics of discussion included review of the old substation, the demolition process of the residential house that previously stood on the site, the demolition of the previous switchgear, condition of two transformers and the preparation for the foundation, and trenching of conduit routes.

In response to Council Member Johnson, Mr. Morrow stated they are able to handle the current load because they have a little leeway and the substation will be up by May to handle the summer loads.

In response to Council Member Johnson, Mr. Morrow stated the wet weather may affect certain tasks, but the project as a whole will still be completed by May.

In response to Council Member Hitchcock, Mr. Morrow stated the entire site is currently offline and not working. He stated power is rerouted from other areas to serve the existing Killelea service areas.

In response to Mayor Pro Tempore Hansen, Mr. Morrow stated the transformers will be replaced one at a time as needed at a cost of approximately \$500,000 each.

In response to Mayor Mounce, Mr. Morrow stated the new layout will provide direct access to the transformers for replacement and maintenance.

In response to Council Member Johnson, Mr. Morrow confirmed that there are two transformers.

In response to Mayor Mounce, Mr. Morrow stated the transformers are as old as the facility itself and will likely need to be replaced in five to ten years.

In response to Council Member Hansen, Mr. Morrow confirmed that the Killelea substation line comes in from the east from an industrial substation.

A brief discussion ensued between Mayor Pro Tempore Hansen, Council Member Johnson, and Mr. Morrow regarding the source of power from the east and west, the need for an additional substation in the west to assist with growth in that area, and fees to fund the substation from expansion and annexation.

In response to Council Member Hansen, Mr. Morrow stated security measures at the facility will include motion detectors, gate alarms, control building alarms, and possibly cameras with the new fiber optics.

In response to Council Member Johnson, Mr. Morrow stated some of the many considerations in deciding whether to replace transformers include test results, analyzing data, and looking at the seals.

In response to Council Member Johnson, Mr. Morrow stated the brick wall will have a graffiti resistant on it and ivy will also be planted.

In response to Mayor Mounce, Mr. Morrow stated that, while graffiti is sometimes a problem along similar walls, proper landscaping will also help.

In response to Council Member Hansen, Mr. Morrow stated the focus of the berm itself is to contain oil in the case of spillage within the site.

In response to Council Member Hitchcock, Mr. Morrow confirmed that the new site will provide better communication with the Supervisory Control and Data Acquisition system and fiber optics, provide additional space on site for maintenance and repairs, there will be no asbestos, and there will be more overall reliability.

In response to Council Member Hitchcock, Mr. Morrow stated the wall will be built on the property line.

In response to Myrna Wetzel, Mr. Morrow stated there is very little sound, if any, that will come through the wall.

C. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None.

D. ADJOURNMENT

No action was taken by the City Council. The meeting was adjourned at 7:45 a.m.

ATTEST:

Randi Johl
City Clerk

**LODI CITY COUNCIL
REGULAR CITY COUNCIL MEETING
CARNEGIE FORUM, 305 WEST PINE STREET
WEDNESDAY, DECEMBER 19, 2007**

C-1 CALL TO ORDER / ROLL CALL

The City Council Closed Session meeting of December 19, 2007, was called to order by Mayor Mounce at 6:00 p.m.

Present: Council Members – Hansen, Johnson, Katzakian [excluding C-2 (a) and C-2 (b)], and Mayor Mounce

Absent: Council Members – Hitchcock

Also Present: City Manager King, City Attorney Schwabauer, and City Clerk Johl

C-2 ANNOUNCEMENT OF CLOSED SESSION

- a) Actual Litigation: Government Code §54956.9(a); One Case; People of the State of California; and the City of Lodi, California v. M & P Investments, et al., United States District Court, Eastern District of California, Case No. CIV-S-00-2441 FCD JFM
- b) Actual Litigation: Government Code §54956.9(a); One Case; City of Lodi v. Michael C. Donovan, an individual; Envision Law Group, LLP, et al., San Francisco Superior Court, Case No. CGC-05-441976
- c) Threatened Litigation: Government Code §54956.9(b); One case; Potential Suit by Margaret Stewart Against City of Lodi Based on Personal Injury
- d) Conference with Blair King, City Manager, and Jim Krueger, Deputy City Manager (Acting Labor Negotiators), Regarding Lodi Professional Firefighters, Lodi Police Officers Association, Lodi Police Dispatchers Association, and Association of Lodi City Employees Regarding Maintenance and Operators Pursuant to Government Code §54957.6

C-3 ADJOURN TO CLOSED SESSION

At 6:00 p.m., Mayor Mounce adjourned the meeting to a Closed Session to discuss the above matters.

The Closed Session adjourned at 6:57 p.m.

C-4 RETURN TO OPEN SESSION / DISCLOSURE OF ACTION

At 7:01 p.m., Mayor Mounce reconvened the City Council meeting, and City Attorney Schwabauer disclosed the following actions.

In regard to Item C-2 (a), settlement direction was given.

Item C-2 (b) was not discussed.

In regard to Item C-2 (c), authority was given for the City to settle the matter by paying \$30,000 of a total \$130,000 settlement.

In regard to Item C-2 (d), general direction was given.

A. CALL TO ORDER / ROLL CALL

The Regular City Council meeting of December 19, 2007, was called to order by Mayor Mounce at 7:01 p.m.

Present: Council Members – Hansen, Johnson, Katzakian, and Mayor Mounce

Absent: Council Members – Hitchcock

Also Present: City Manager King, City Attorney Schwabauer, and City Clerk Johl

B. INVOCATION

The invocation was given by Pastor Steve Elmore, Century Assembly Church.

C. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Mayor Mounce.

D. AWARDS / PROCLAMATIONS / PRESENTATIONS

- D-1 Awards – None
- D-2 Proclamations – None
- D-3 Presentations – None

E. CONSENT CALENDAR

In accordance with the report and recommendation of the City Manager, Council, on motion of Council Member Johnson, Katzakian second, approved the following items hereinafter set forth by the vote shown below:

Ayes: Council Members – Hansen, Johnson, Katzakian, and Mayor Mounce

Noes: Council Members – None

Absent: Council Members – Hitchcock

- E-1 Claims were approved in the amount of \$5,271,931.51.
- E-2 The minutes of December 4, 2007 (Shirtsleeve Session), December 5, 2007 (Regular Meeting), December 11, 2007 (Shirtsleeve Session), and December 12, 2007 (Special Joint Meeting w/Lodi Planning Commission) were approved as written.
- E-3 Approved the plans and specifications and authorized advertisement for bids for the installation of Residential Water Meters (Phase 2) project; approved solicitation of bids for 464 water meters; and adopted Resolution No. 2007-242 establishing Hersey, Sensus, and Badger water meters as standard water meters for future purchases.
- E-4 Adopted Resolution No. 2007-243 authorizing additional Task Orders for West Yost and Associates to prepare White Slough Water Pollution Control Facility work plans required in the City's wastewater discharge permit issued by the State Central Valley Regional Water Quality Control Board and for additional ongoing permit assistance and appropriating \$317,000 in the Wastewater Fund.
- E-5 Authorized additional Task Orders with Treadwell & Rollo for technical work anticipated in 2008 for alternatives analysis and implementation of the cleanup and abatement order for the Central Plume and additional groundwater modeling for PCE/TCE contamination remediation in the amount of \$467,500.
- E-6 Adopted Resolution No. 2007-244 authorizing the City Manager to execute Contract Change Order No. 4 with MV Public Transportation, Inc., to add computerized dispatching software, installation, and ongoing software service charges in an amount not to exceed \$24,000.
- E-7 Accepted the proposed Victor Road dedication from Archer Daniels Midland and approved the transfer to Caltrans.
- E-8 Adopted Resolution No. 2007-245 authorizing the City Manager to execute an agreement with the Boosters of Boys/Girls Sports Organization (BOBS) for concession operations at the Grape Bowl Stadium, Kofu, Salas, and Zupo Parks and other locations for BOBS-sponsored events.
- E-9 Adopted Resolution No. 2007-246 approving Improvement Agreement for the Public Improvements for Reynolds Ranch, Phase 1, and authorizing the City Manager and City Clerk to execute the agreement on behalf of the City.
- E-10 Cancelled the January 2, 2008, Regular City Council meeting.

F. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None.

G. COMMENTS BY CITY COUNCIL MEMBERS ON NON-AGENDA ITEMS

- Mayor Pro Tempore Hansen reported on his attendance at the San Joaquin Council of Governments meeting and specifically discussed the delay of the item pertaining to the strategic plan for Measure K until January, trade corridor funds, Highway 4 improvements, compromise for Northern and Southern California improvements and the pending challenge, funding to dredge a canal, high speed rail alternatives, and bond money to widen I-5. Mr. Hansen commended Council Member Johnson on his presentation regarding the rail commission and stated he was disappointed that Phil Pennino did not support the proposition.
- Council Member Johnson also expressed disappointment in Mr. Pennino's lack of support for the City of Lodi's bid to obtain a seat on the rail commission. He also stated that at least 50% of all individuals he appointed during his year as Mayor were women.
- Mayor Mounce discussed the new hotline for graffiti reporting and removal, the online feature to log citizen concerns, comments regarding the General Plan amendment by community youth, and the letter from Ken Vogel regarding the Armstrong Road property owners.

H. COMMENTS BY THE CITY MANAGER ON NON-AGENDA ITEMS

- City Manager King stated the matter regarding the Armstrong Road property owners was scheduled for the January 16, 2008, regular City Council meeting. He also stated that December 21 is the last day for Police Chief Adams, David Main will be acting Interim Police Chief beginning December 22, and the Century Meadows Park is close to being dedicated and formally accepted as a park.

I. PUBLIC HEARINGS

- I-1 Notice thereof having been published according to law, an affidavit of which publication is on file in the office of the City Clerk, Mayor Mounce called for the public hearing to consider adopting resolution approving Paratransit Service Policy and Procedures and implementing proposed changes to existing Dial-A-Ride services.

City Manager King and Public Works Director Richard Prima provided an introduction of the subject matter of Paratransit Service Policy and Procedures and implementing proposed changes to existing Dial-A-Ride services. Transportation Manager Tiffani Fink provided a brief PowerPoint presentation regarding the proposed paratransit services for the City. Specific topics of discussion included what is paratransit, difference between Dial-A-Ride and paratransit, who can use paratransit, overview of the proposed paratransit services, recommended changes to Dial-A-Ride, and timeline for implementation.

In response to Mayor Pro Tempore Hansen, Ms. Fink confirmed that doctor's offices may be closed during some of the fixed-route hours.

In response to Mayor Pro Tempore Hansen, Ms. Fink stated the program is being adjusted based on an Americans with Disabilities Act (ADA) audit and recommendations.

In response to Mayor Pro Tempore Hansen, Ms. Fink stated same day scheduling on the current reservation system without scheduling by the evening for next day becomes inefficient. She stated 50% of the entire transportation budget is Dial-A-Ride and they are looking at ways to work more efficiently while saving costs.

In response to Mayor Pro Tempore Hansen, Ms. Fink stated the challenge with same day service is 13 to 14 buses running at once. The consultant stated the same day system in Tracy is inherently challenging as more people can be accommodated on a reservation system.

In response to Mayor Pro Tempore Hansen, Public Works Director Prima stated the large buses are used for the fixed-route system and the smaller buses are a vast majority of the City's current fleet. He stated the buses still have to be large enough to accommodate wheelchair accessibility.

In response to Mayor Pro Tempore Hansen, Ms. Fink stated that the average ridership for the fixed route is 12 passengers for every bus for every hour.

In response to Council Member Johnson, Mr. Prima stated they can utilize the big buses for busier times and there is an ability to mix and match the fleet based on the City's needs.

Discussion ensued between Mayor Pro Tempore Hansen and Ms. Fink regarding an email message from the Senior Citizens Commission. Specifically Ms. Fink addressed concerns regarding operating hours, working with other agencies, implementation dates, assistance with completing forms, HIPAA obligations, and the need for public outreach.

In response to Mayor Mounce, Ms. Fink stated applications will be available on the buses.

Hearing Opened to the Public

- Clifford Weaver spoke of his concerns regarding obtaining ADA certification in light of existing certification from Veterans Administration, services rendered on an immediate need basis, and notification of meetings considering the matter.
- Abby Weaver spoke of her concerns regarding how the new program may affect her disabled son.
- Terri Whitmire spoke of her concerns regarding scenarios for seniors, the Stockton Regional Transit District (RTD) system, elements while waiting, and social worker concerns regarding those who may qualify. Council Member Johnson suggested incorporating the Senior Citizens Commission comments into the process to ensure the creation of a simple and user-friendly program.
- Davis Schmidt suggested placing a fact sheet about the new program in the monthly utility billing.

Public Portion of Hearing Closed

Mayor Pro Tempore Hansen suggested that staff do additional work on the public outreach piece, Senior Citizens Commission involvement, as well as other areas, and bring the matter back to Council. Mr. Prima confirmed that there is some latitude with the implementation date and RTD needs to be informed of a general direction from the City. He also discussed certification through other agencies, Federal Transit Administration requirements for certification, same day service challenges, and matching ADA service with fixed-route service.

Mayor Mounce stated she had some concerns regarding the certification and requested the matter be brought back to Council after additional research is completed on the same.

City Manager King stated staff will work on public outreach and specific language and will bring the matter back to the Council at a future Council meeting.

MOTION / VOTE:

No Council action was taken on this item as staff was directed to research the matter further and bring the issue back to Council.

J. COMMUNICATIONS

- J-1 On recommendation of the City Attorney and City Clerk, the City Council, on motion of Council Member Johnson, Katzakian second, rejected the following claim by the vote shown below:

Ayes: Council Members – Hansen, Johnson, Katzakian, and Mayor Mounce

Noes: Council Members – None

Absent: Council Members – Hitchcock

- a) Application for Leave to Present Late Claim for Carlos Tobar, date of loss 3/18/07

J-2 The following postings/appointments were made:

- a) The City Council, on motion of Council Member Johnson, Hansen second, directed the City Clerk to post for the following expiring terms by the vote shown below:

Ayes: Council Members – Hansen, Johnson, Katzakian, and Mayor Mounce

Noes: Council Members – None

Absent: Council Members – Hitchcock

Lodi Senior Citizens Commission

Rose Lazzaro Term to expire December 31, 2007

Terri Whitmire Term to expire December 31, 2007

San Joaquin County Mosquito and Vector Control District

Jack Fiori Term to expire December 31, 2007

Site Plan and Architectural Review Committee (SPARC)

Donald P. Kundert Term to expire January 1, 2008

Roger Stafford Term to expire January 1, 2008

J-3 Miscellaneous

- a) The City Council, on motion of Council Member Johnson, Katzakian second, accepted the cumulative Monthly Protocol Account Report through November 30, 2007, by the vote shown below:

Ayes: Council Members – Hansen, Johnson, Katzakian, and Mayor Mounce

Noes: Council Members – None

Absent: Council Members – Hitchcock

K. REGULAR CALENDAR

- K-1 "Presentation Regarding Proposed Art in Public Places Art Piece by Artists Rowland Cheney and Chris Kralj"

City Manager King introduced the subject matter. Community Center Director Jim Rodems provided an overview of the history and status of the proposed art piece, stating the cost excluding utility or lighting is approximately \$145,000.

Arts Commissioner Laura Heinitz briefly described the process associated with creating and recommending acceptance of the proposed art piece.

In response to Mayor Pro Tempore Hansen, Mr. Cheney stated the entire piece of art is approximately ten feet tall.

In response to Mayor Pro Tempore Hansen, Mr. Cheney stated he has heard of no vandalism of the art piece at the multi-modal center.

In response to Mayor Pro Tempore Hansen, Mr. King confirmed that the art in public places is funded from a separate fund of impact fees.

In response to Mayor Pro Tempore Hansen, Ms. Heinitz stated the Arts Commission will continue to look at the site on Cherokee Lane and Lodi Avenue as it develops.

Council Member Johnson suggested staff and the artist contact Congressman McNerney's office for collaboration on an art piece, in which the Congressman has expressed interest. He also suggested an opportunity may exist with the new Delta College project.

In response to Mayor Pro Tempore Hansen, Mr. Cheney stated the well-known art pieces in Mesa, Arizona, are privately funded.

MOTION/ VOTE:

No Council action was taken on this matter.

RECESS

At 8:28 p.m., Mayor Mounce called for a recess, and the City Council meeting reconvened at 8:39 p.m.

K. REGULAR CALENDAR (Continued)

K-2 "Presentation of June 30, 2007, Financial Condition for All City of Lodi Funds"

City Manager King briefly introduced the subject matter.

Deputy City Manager Jim Krueger provided a PowerPoint presentation regarding the financial condition of the budget. He specifically discussed the overall financial condition, unrestricted cash and investments, net assets, general fund reserved and unreserved amounts, expenditures and revenues, electric utility funds, water and wastewater funds, transit, special revenues, capital projects, internal service funds, and miscellaneous fund balances.

In response to Mayor Pro Tempore Hansen, Mr. Krueger confirmed that salaries account for a majority of the savings.

In response to Mayor Mounce, Mr. Krueger stated they will make some progress in reimbursing the infrastructure fund in this fiscal year.

In response to Council Member Katzakian, Mr. King stated the numbers presented are current as of June 30 and the approximately \$6 million from the Flag City project will not be reflected until actual payment is received.

A brief discussion ensued between Mayor Pro Tempore Hansen, Mr. King, and Mr. Krueger regarding the previous transfer of money between the water and wastewater funds, the need to balance both funds, and the impact for bonding purposes.

In response to Mayor Pro Tempore Hansen, Mr. Krueger stated staff does not have the ability to make a specific projection for the wastewater fund, PCE/TCE settlements have allowed additional fund transfers, and they are working toward infrastructure funds.

In response to Mayor Pro Tempore Hansen, Mr. Krueger stated the water fund will not have a deficit this time next year.

Mayor Mounce thanked the employees for their contribution to fiscal soundness of the City. Council Member Johnson thanked the citizens for the same.

MOTION / VOTE:

No Council action was taken on this matter.

K-3 "Adopt Resolution Authorizing the City Manager to Execute an Updated Second Phase Member Agreement with the Northern California Power Agency for the Lodi Energy Center (\$3,030,000)"

Electric Utility Director George Morrow provided a PowerPoint presentation regarding the Lodi Energy Center. Specific topics of discussion included background, Lodi Energy Center, combined cycle basics, project location, Phase 2, key changes, participation, energy balance, power resources, cost estimates, cash flow, emission reduction credits, capital costs, project cost summary, joint site savings, in-service date, project schedule, project benefits, other considerations, and a summary.

In response to Council Member Johnson, Mr. Morrow stated agencies are becoming creative in order to obtain credits for lower emissions because entities that are generating credits are selling them to the highest bidders. He stated the basic intent of the New Lodi Project is that it will be operated in a unified manner through the Northern California Power Agency (NCPA).

In response to Mayor Pro Tempore Hansen, Mr. Morrow stated that air pollution credits are different from green house reduction credits. He stated they are given for combustion through natural gas and the requirement to have a certain credit level is relatively new.

In response to Council Member Katzakian, Mr. Morrow stated natural gas is about seven dollars per BTU and can fluctuate greatly at the local and state markets.

Mayor Mounce requested a Shirtsleeve Session on the details of the subject matter.

Discussion ensued between Council Member Johnson and Mr. Morrow regarding the requirements for credits, budget impact, and the rise in costs from \$4 million to \$12 million due to market fluctuation.

In response to Mayor Mounce, Mr. Krueger stated he will provide information to the Council regarding who NCPA is responsible to for financial reporting purposes.

MOTION / VOTE:

The City Council, on motion of Mayor Pro Tempore Hansen, Katzakian second, adopted Resolution No. 2007-247 authorizing the City Manager to execute an updated Second Phase Member Agreement with NCPA for financing the planning and development activities of the Lodi Energy Center in the amount of \$3,030,000. The motion carried by the following vote:

Ayes: Council Members – Hansen, Johnson, Katzakian, and Mayor Mounce

Noes: Council Members – None

Absent: Council Members – Hitchcock

- K-4 “Adopt Resolution Authorizing the City Manager to Enter into a First Amendment to World of Wonders Science Museum Lease to Extend Commencement of Rent Obligation”

City Manager King briefly introduced the subject matter of a one-year lease extension for the World of Wonders (WOW) Museum and provided background information and status of the current agreement. He stated rent will be due beginning February 9 if the lease is granted.

In response to Mayor Pro Tempore Hansen, Ms. Snyder, representing the WOW Museum, stated she is confident that the venture will be successful in light of the involvement of the community, Board, and Exploratorium.

In response to Mayor Pro Tempore Hansen, Ms. Snyder stated the Exploratorium previously partnered with the city of Fresno, as well as other agencies.

Ms. Snyder invited the public to the groundbreaking on January 24, 2008, at 10:00 a.m.

In response to Council Member Johnson, Ms. Snyder stated the project was divided into two phases for cash flow purposes and the store and exhibits will open at the same time.

MOTION / VOTE:

The City Council, on motion of Mayor Pro Tempore Hansen, Mounce second, adopted Resolution No. 2007-248 authorizing the City Manager to enter into a First Amendment to the WOW Science Museum Lease to extend commencement of rent obligation. The motion carried by the following vote:

Ayes: Council Members – Hansen, Johnson, Katzakian, and Mayor Mounce

Noes: Council Members – None

Absent: Council Members – Hitchcock

K-5 “Adopt Resolution Establishing the Community Development Block Grant Allocation Policy”

Community Improvement Manager Joseph Wood provided a PowerPoint presentation regarding the Community Development Block Grant (CDBG) allocation policy. Specific topics of discussion included the annual CDBG allocation process, the local allocation process, proposed set-aside for City projects, Council policies on allocations, and staff recommendation regarding the same.

In response to Mayor Pro Tempore Hansen, Mr. Wood stated 40% will establish a baseline as some years community based organizations have received less and some years they have received more. Mr. King stated eligible City projects have not been considered based on funding reliability as a longer-term funding source is needed for some projects.

Council Member Johnson stated he can support the policy and percentage recommended if there is not an ability to fluctuate too much with the same.

Mayor Pro Tempore Hansen stated he would like to see the ability to fluctuate from time to time when a special project arises, such as the Loel Center project from last year.

Mayor Mounce stated she could support the policy for a three-year time period for commitment purposes and revisit the possibility of amendments at that time.

In response to Council Member Katzakian, Mr. Wood confirmed that the CDBG funding source generally is in the range of \$600,000 to \$800,000.

Loel Center Director, Tracy Williams, stated she supports the policy and would like to see some flexibility to remain.

City Attorney Schwabauer confirmed that a future City Council is not bound by the proposed policy and has the ability to amend as needed.

MOTION / VOTE:

The City Council, on motion of Council Member Johnson, Mounce second, adopted Resolution No. 2007-249 establishing the Community Development Block Grant Allocation Policy. The motion carried by the following vote:

Ayes: Council Members – Johnson, Katzakian, and Mayor Mounce

Noes: Council Members – Hansen

Absent: Council Members – Hitchcock

K-6 “Authorize Staff to Commence Negotiations with Central Valley Waste Services (Waste Management) to Exercise Contract Renewal Option”

Public Works Director Richard Prima provided a brief presentation regarding the subject matter of Central Valley Waste services. He specifically discussed starting the process for negotiating waste management services, service previously not bid, negotiate and fine tune at a later time, the ability to go through a bidding process if the negotiations are not successful, service provided by a private company for over 50 years, comparable rates and service, contract expiration in 2010, and the costs associated with the bidding process.

In response to Council Member Johnson, Mr. King stated the goal of the negotiation is to get a better franchise, consider adjustments, and give the Council an overview of what direction the negotiations are going through periodic status reports.

Jason Altnow, whose family owns and operates Tiger Lines, spoke in support of Central Valley Waste.

Thom Sanchez, representative of Central Valley Waste Services, spoke in support of entering into negotiations for an extension of the contract. He provided an overview of the services provided to the City, the six-year extension provided by the County, and program implementation.

Discussion ensued between Council Member Hansen, Council Member Johnson, Mr. King, and Mr. Prima regarding the bidding process, negotiating skills, services, comments by competitors, and the need for consultant services to negotiate the contract and validate figures.

MOTION / VOTE:

The City Council, on motion of Mayor Pro Tempore Hansen, Mounce second, authorized staff to commence negotiations with Central Valley Waste Services (Waste Management) to exercise contract renewal option. The motion carried by the following vote:

Ayes: Council Members – Hansen, Johnson, Katakian, and Mayor Mounce

Noes: Council Members – None

Absent: Council Members – Hitchcock

- K-7 “Approve Expenses Incurred by Outside Counsel/Consultants Relative to the Environmental Abatement Program Litigation and Various Other Cases Being Handled by Outside Counsel (\$195,434.92)”

MOTION / VOTE:

The City Council, on motion of Council Member Johnson, Mounce second, approved the expenses incurred by outside counsel/consultants relative to the Environmental Abatement Program litigation and various other cases being handled by outside counsel in the amount of \$195,434.92, as detailed below, by the following vote:

Ayes: Council Members – Hansen, Johnson, Katakian, and Mayor Mounce

Noes: Council Members – None

Absent: Council Members – Hitchcock

Folger Levin & Kahn - Invoices Distribution

Matter No.	Invoice No.	Date	Description	Water Acct. Amount
8002	105294	09/30/07	M & P Investments	\$ 10,414.28
8002	105543	10/01/07	M & P Investments	\$ 41,513.87
	105298	11/26/07	Carol Langford, Expert Witness Retainer	\$ 5,500.00
			Processed 11/28/07	(5,500.00)
	7490	09/30/07	West Environmental Services	\$ 1,852.50
8001	105636	11/30/07	General Advice	\$ 1,243.08
8002	105619	11/30/07	M & P Investments	\$ 13,827.73
8003	105620	11/30/07	Hartford v. City of Lodi	\$ 805.90
8008	105621	11/30/07	City of Lodi v. Envision	\$120,720.06
			Less	(240.00)
Total				\$190,137.42

Kronick Moskovitz Tiedemann & Girard - Invoices Distribution

Matter No.	Invoice No.	Date	Description	100351.7323
11233.001	235946	11/25/07	General Advice	\$ 31.80
11233.026	235946	11/25/07	Lodi First v. City of Lodi	\$ 1,873.00
11233.027	235946	11/25/07	Citizens for Open Government v. City of Lodi	\$ 2,845.75
11233.028	235946	11/25/07	Personnel and Employment Credits/Overpayments	\$ 131.68
				<u>-122.51</u>
Total				\$ 4,759.72

MISCELLANEOUS

Invoice No.	Date	Description	Water Acct. Amount
SF-000026	7/11/2007	Capitol-San Francisco, LLC	\$ 537.78

L. ORDINANCES

None.

M. REORGANIZATION OF AGENCY MEETINGS

M-1 "Reorganization of the Lodi Public Improvement Corporation; Industrial Development Authority; Lodi Financing Corporation; and City of Lodi Redevelopment Agency"

NOTE: Joint action of the Lodi City Council and the Lodi Public Improvement Corporation (LPIC), Industrial Development Authority (IDA), Lodi Financing Corporation (LFC), and the Redevelopment Agency (RDA).

MOTION / VOTE (joint action of the City Council and LPIC, IDA, LFC, and RDA):

The City Council/LPIC, IDA, LFC, and RDA, on motion of Council Member Johnson, Hansen second, adopted the following resolutions by the vote shown below:

Ayes: Council Members – Hansen, Johnson, Katzakian, and Mayor Mounce

Noes: Council Members – None

Absent: Council Members – Hitchcock

- Resolution No. LPIC2007-02 electing officers of the Lodi Public Improvement Corporation;
- Resolution No. IDA-29 amending Resolution No. IDA-28 by electing new officers of the Industrial Development Authority;
- Resolution No. LFC-17 electing officers of the Lodi Financing Corporation; and
- Resolution No. RDA2007-05 electing officers of the City of Lodi Redevelopment Agency and waiving compensation for the December 19, 2007, meeting.

N. ADJOURNMENT

There being no further business to come before the City Council, the meeting was adjourned at 10:36 p.m.

ATTEST:

Randi Johl
City Clerk

**CITY OF LODI
INFORMAL INFORMATIONAL MEETING
"SHIRTSLEEVE" SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, DECEMBER 25, 2007**

The December 25, 2007, Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was canceled.

ATTEST:

Randi Johl
City Clerk

**CITY OF LODI
INFORMAL INFORMATIONAL MEETING
"SHIRTSLEEVE" SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, JANUARY 1, 2008**

The January 1, 2008, Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was canceled.

ATTEST:

Randi Johl
City Clerk

**LODI CITY COUNCIL
REGULAR CITY COUNCIL MEETING
CARNEGIE FORUM, 305 WEST PINE STREET
WEDNESDAY, JANUARY 2, 2008**

The January 2, 2008, Regular Meeting of the Lodi City Council was canceled.

ATTEST:

Randi Johl
City Clerk

**CITY OF LODI
INFORMAL INFORMATIONAL MEETING
"SHIRTSLEEVE" SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, JANUARY 8, 2008**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, January 8, 2008, commencing at 7:00 a.m.

A. ROLL CALL

Present: Council Members – Hansen, Hitchcock, Johnson, Katzakian, and Mayor Mounce

Absent: Council Members – None

Also Present: City Manager King, City Attorney Schwabauer, and City Clerk Johl

B. TOPIC(S)

B-1 "Mid-Year Review of 2007-08 Budget and Infrastructure Replacement Program"

City Manager King briefly introduced the subject matter of the mid-year review of the 2007-08 budget and infrastructure replacement program.

Deputy City Manager Krueger provided a PowerPoint presentation regarding the mid-year budget review. Specific topics of discussion included general fund summary for adjustments and one-time expenses, electric fund summary, water fund summary, wastewater utility fund summary, vehicle replacement fund summary, self-insurance summary, community development fund summary, statements of changes in each fund, and position control for departments.

In response to Mayor Mounce, Mr. Krueger stated that the graffiti abatement funding and equipment purchase will be the equivalent of a full-time person.

In response to Mayor Pro Tempore Hansen, Mr. Krueger stated the objective is to better prepare the City to respond to graffiti abatement.

Discussion ensued between Mayor Pro Tempore Hansen, Mr. Krueger, and Mr. King regarding the need and impact of the vehicle replacement policy on the general fund, the projected \$1.2 million revenue amount, the conservative expenditure estimates, possibility of higher savings, and the immediate need to address the vehicle replacement policy to stabilize large unexpected expenditures.

In response to Council Member Hitchcock, Mr. Krueger stated the process for filling vacancies was slower in the previous fiscal year because the Human Resources Department was not fully staffed and he does not anticipate that the level of vacancies will increase. Mr. King stated the budget does not actually take into account vacancies as savings or revenue; although, that may occur from attrition and retirements.

In response to Council Member Hitchcock, Mr. Krueger stated the Police Department identifies specific items for the asset seizure account and radio equipment was not identified. He stated staff will look into the option.

Discussion ensued between Council Member Johnson, Mr. Krueger, and Mr. King regarding an amended vehicle replacement policy, guideline review and modification, need to replace vehicles, corresponding charges to departments, and set aside money for the actual replacements.

In response to Council Member Johnson, Mr. Krueger stated there could be a security benefit to the proposed web cam installation in downtown.

In response to Mayor Pro Tempore Hansen, Mr. King stated the proposed web cam is more of a tool for promotion and traffic generation, rather than a safety tool; although, it can be used for both purposes. Management Analyst Hood stated it is proposed that there be two wireless cameras with recording and streaming capacities to highlight the downtown area.

In response to Myrna Wetzel, Mr. Hood stated the cameras can be either stationary or sweeping depending upon what is purchased.

In response to Mayor Pro Tempore Hansen, Interim Parks and Recreation Director Steve Dutra stated staff is working with John Brody on grant opportunities and other agency involvement with respect to the riverbank repairs.

Discussion ensued between Council Member Hitchcock and Electric Utility Director George Morrow regarding the use of money from the Roseville sale to balance the electric utility fund, sensitivity of electric sales to weather, effect of economy, disposable income for citizens, conservation efforts by business and industrial customers, uncontrollable expenses, and the possibility of fluctuation in numbers in the second half of the year.

In response to Mayor Pro Tempore Hansen, Mr. Morrow stated the savings in maintenance and operation costs from the Roseville deal flows directly through the Energy Conservation Adjustment program to the customers on a real-time basis.

In response to Council Member Johnson, Mr. Morrow stated there is nothing specific on the ten-acre site.

In response to Mayor Pro Tempore Hansen, Mr. Krueger confirmed the water fund has seen improvement and the summary is better because the deficit is no longer there.

In response to Mayor Pro Tempore Hansen, Mr. King confirmed that the referenced amounts pertain to the general fund City vehicles only, not the entire City. He stated additional vehicles may need to be incorporated into other funds including the enterprise and street funds.

In response to Council Member Hitchcock, Mr. Krueger stated the \$790,000 was budgeted, staff is looking to transfer \$900,000 to the vehicle replacement fund, and he does not anticipate they will spend \$500,000, which is more of a historical number.

Discussion ensued between Mayor Pro Tempore Hansen and Mr. Krueger regarding the vacancies in the Finance Department, concerns regarding customer service, assisting customers in line, attrition, training possibilities, and the options associated with bill pay.

In response to Council Member Katzakian, Mr. Krueger stated there are certain peak times when there are more customers in line than at other times, that the percentage of customers who pay personally is small compared to the entire number of customers, and online bill pay options are being explored.

In response to Council Member Johnson, Mr. King stated an increase of individuals paying online may reduce costs and improve collection and service delivery. Mr. Morrow stated a meeting on the subject matter of electronic bill pay and pay by phone is being held today. City Attorney Schwabauer stated he will continue to research and monitor cities in litigation regarding patent control for utility online payments. He stated indemnification will be necessary for such services from the contractors providing the service to the City.

In response to Council Member Johnson, Mr. Krueger stated the customer base paying personally is a mixture of all ages and not familiar with electronic media.

In response to Council Member Hitchcock, Mr. King stated that the three proposed position changes are not newly created positions, as they currently exist in the budget and are being changed in title only.

In response to Council Member Hitchcock, Mr. King stated the plan check engineer/senior building inspector change will not require a person physically moving from the Fire Department to the Community Development Department. Fire Chief Pretz stated the transition will allow for a more efficient, effective, and cost prohibitive process that eliminates the need to send out for plan check.

In response to Council Member Hitchcock, Mr. King stated the Code Enforcement Supervisor position is currently a contract position and will become an in-house position with a net zero effect on cost.

In response to Council Member Johnson, Mr. King stated the position has been a contract position for some time and the in-house position will allow for closer communication with the Police Department.

A brief discussion ensued between Council Member Johnson, Mr. Krueger, and Mr. King regarding the number of contract employees and the policy decision to reduce the same over the past few years.

C. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None.

D. ADJOURNMENT

No action was taken by the City Council. The meeting was adjourned at 8:44 a.m.

ATTEST:

Randi Johl
City Clerk



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Approve Request for Proposal (RFP) for Acceptance Testing and Commissioning of the Killelea Substation Rehabilitation Project (EUD)

MEETING DATE: January 16, 2008

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: Approve issuance of a Request for Proposal to perform acceptance testing and commissioning of the Killelea Substation Rehabilitation Project.

BACKGROUND INFORMATION: The rehabilitation of the Killelea Substation is currently ongoing. The project includes the modification of the existing 60kV system, installation of new 12kV switchgear, construction of new control building, installation of updated communications and security systems, and expansion of the substation facility itself. Rosendin Electric, Inc. (Rosendin) is the general contractor for this project. Siemens Power Transmission & Distribution (Siemens) is the supplier for the 12kV switchgear and the remote terminal communications unit (RTU). Acceptance testing and commissioning tasks are the Electric Utility Department's (EUD's) responsibility.

According to Rosendin's latest project schedule, the final acceptance testing and commissioning activities for the rehabilitated substation systems/equipment will begin in mid-March 2008. This task will cover the two 60kV breakers, one 60kV disconnect switch, 12kV switchgear, RTU and communication systems, security systems, control building electrical systems, protection systems, and the control and auxiliary systems. The Acceptance Testing and Commissioning task will also include the maintenance, repair and overhauling of the existing two (2) power transformers. Acceptance testing demands a very detailed inspection, adjustments and confirmation that all power equipment is in excellent working condition and all systems are functioning correctly and safely before final substation operations. This work is planned to occur approximately four to five weeks prior to the actual energization of the substation facility, which is scheduled on May 1, 2008.

Due to the critical nature of this task in completing the rehabilitation project on schedule and assuring correct and safe operation of the substation, staff is recommending that the RFP be approved now in order that acceptance testing and commissioning of the Killelea Substation Rehabilitation Project be done on a timely basis.

FISCAL IMPACT: Estimated cost is approximately \$175,000.

FUNDING: Transfer of funds from the bond proceeds to Account No. 161677.

Kirk Evans, Budget Manager

George F. Morrow
Electric Utility Director

PREPARED BY: Demy Bucaneg, Jr., P.E., Manager, Engineering & Operations
GFM/DB/lst

APPROVED: _____
Blair King, City Manager



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolutions Authorizing City Manager to Execute Agreements Regarding Woodbridge Irrigation District Connection for Providing Surface Water and Appropriating Funds (\$92,000)

MEETING DATE: January 16, 2008

PREPARED BY: Public Works Director

RECOMMENDED ACTION: Adopt resolutions authorizing the City Manager to:

- 1) Execute an agreement with Woodbridge Irrigation District for the reimbursement of costs for construction of raw water supply piping for the Lodi Surface Water Treatment Plant and appropriate \$60,000 from the Water Development Impact Fee fund.
- 2) Execute Amendment No. 1, in the amount of \$32,000, to the contract with HDR Engineering, Inc., to add raw water pump station design and consultations with California Department of Public Health and appropriate funds from the Water Development Impact Fee fund.

BACKGROUND INFORMATION: The Woodbridge Irrigation District (WID) is currently constructing a fish screen at the head of the main irrigation canal. In planning for the City's future surface water diversions, WID incorporated a 48-inch diameter raw water supply pipe stub into the design and construction of the fish screen facility for Lodi to access at a later time when the surface water treatment plant was being constructed. The design and construction of the outlet pipe have been performed at no cost to the City.

As City and WID staff continued discussion on the future connection, we determined the pipe could be terminated at a higher elevation during the fish screen construction by adding an elbow fitting. This would make it significantly easier to connect to the pipeline during construction of the City's surface water treatment plant. Due to right-of-way constraints and the need to perform a significant excavation near the river, adding the elbow now will cost significantly less since the excavation is currently open and the temporary construction right-of-way has been acquired.

Citing potential of disturbing the newly-constructed fish screen improvements, WID is strongly urging the City to have the work done now to avoid future excavation adjacent to their completed facility and has offered to assist.

In order to save significant future construction costs and to avoid the risk of disturbing the WID fish screen improvements, staff recommends Council authorize the City Manager to execute an agreement with Woodbridge Irrigation District for the reimbursement of costs for construction of raw water supply piping for the Lodi Surface Water Treatment Plant and appropriate funds (\$60,000). A copy of the WID proposal is provided as Exhibit A.

APPROVED: _____
Blair King, City Manager

However, construction of raw water supply piping at this time will require that the design of the pipeline and pump station be advanced from conceptual to a more detailed design level. Since May 2007, HDR Engineering, Inc., (HDR) has been under contract with the City to prepare the surface water treatment facility conceptual design and feasibility evaluation for utilization of the Woodbridge Irrigation District (WID) surface water supply. That work is progressing and Council has preliminarily selected the water treatment plant site.

Amendment No. 1 to the HDR contract adds the following services:

1. Near-final design of the raw water supply pipeline and pumping station to coordinate with the WID construction underway. In cooperation with the City, WID will have its contractor construct one elbow of the new raw water supply piping as shown in Exhibit B.
2. Perform additional research and analysis of the California Health and Safety Code required to develop a strategic action plan with respect to recreational use of Lodi Lake and the point of diversion for a public drinking water supply.

Because Lodi Lake includes a swimming beach, several provisions of the California Health and Safety Code, Division 104, are potentially relevant to the proposed diversion from the Mokelumne River at the WID canal. Several alternatives exist for addressing the various and different provisions of the code and their applicability to this project. A quick determination on these issues was required and a position paper and decision matrix has been prepared and discussed with State of California Department of Public Health. The decision by the State was favorable to the project.

FISCAL IMPACT:

None at this time. Upon completion of the surface water treatment facilities, additional maintenance costs will be incurred by the City. The HDR contract is \$399,786, and the amendment is \$32,000 or 8%.

Approximately \$112,000 has been expended on this contract as of November 2007. Although it is early in the project, cost savings in the contract may result from the early selection by the City Council of the preferred water plant site that could partially offset this contract amendment.

FUNDING AVAILABLE:

Funds will need to be appropriated from the Water Development Impact Fee fund in the amount of \$92,000.

HDR Contract Amendment No. 1:	\$32,000
WID Cost Reimbursement:	<u>\$60,000</u>
Total Appropriation:	\$92,000

Kirk Evans, Budget Manager

Richard C. Prima, Jr.
Public Works Director

Prepared by Wally Sandelin, City Engineer/Deputy Public Works Director and Charlie Swimley, Water Services Manager
RCP/FWS/pmf
Attachments

cc: Anders Christensen, Woodbridge Irrigation District
Charlie Swimley, Water Services Manager

F. Wally Sandelin, City Engineer/Deputy Public Works Director
D. Stephen Schwabauer, City Attorney

WOODBIDGE IRRIGATION DISTRICT
18777 N. LOWER SACRAMENTO ROAD
WOODBIDGE, CALIFORNIA 95258
[209] 369-6808
FAX: 369-6823

DIRECTORS
WILLIAM STOKES
PRESIDENT

ED LUCCHESI
VICE PRESIDENT

BILL SHINN
AVERY McQUEEN
HENRY P. VAN EXEL

ANDERS CHRISTENSEN
MANAGER
SECRETARY / TREASURER

JIM SHULTS
SUPERINTENDENT

January 2, 2008

Charles Swimley
Public Works Department
221 West Pine Street
PO Box 3006
Lodi, CA 95241-1910

Dear Charley,

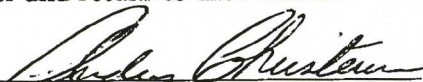
Re: Lodi Delivery Point

We have made an analysis of the probable costs for the installation of the of the Lodi Pipe extension to bring the centerline of the "T" elevation to 29.9' MSL to facilitate a future installation. The project would involve excavation for the 90 deg. Elbow to elevation 19' (approx.). The 90 deg. elbow would be secured with a concrete thrust block poured in place. The remainder of the pipe extension would then be place on top of the 90 deg. bend. A crane would be utilized to place the sections. The District would wrap the pipe with heavy poly wrap and back fill with Class II road base.

We have obtained a quote for the pipe including delivery to the site amounting to \$30,302.00 plus tax including all hardware. It is estimated that the pipe could be delivered to the site in approximately 3 weeks after ordering.

The District would utilize its own labor forces for the install and would bill Lodi for all labor and materials an equipment rental needed to make the installation. The cost for the entire project including the pipe costs will not exceed \$60,000. If you agree with our proposal, please sign the letter and return to the District.

Signed Anders Christensen:



Date: 1-2-08

Woodbridge Irrigation District

Signed Charles Swimley:

Date: _____

City of Lodi

PENTABLE: HDRroads.tbl PLOT DRIVER: Pdf_2007.plt



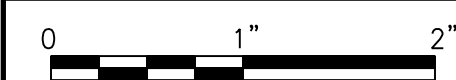
HDR Engineering, Inc.

ISSUE	DATE	DESCRIPTION

PROJECT MANAGER	
PROJECT NUMBER	

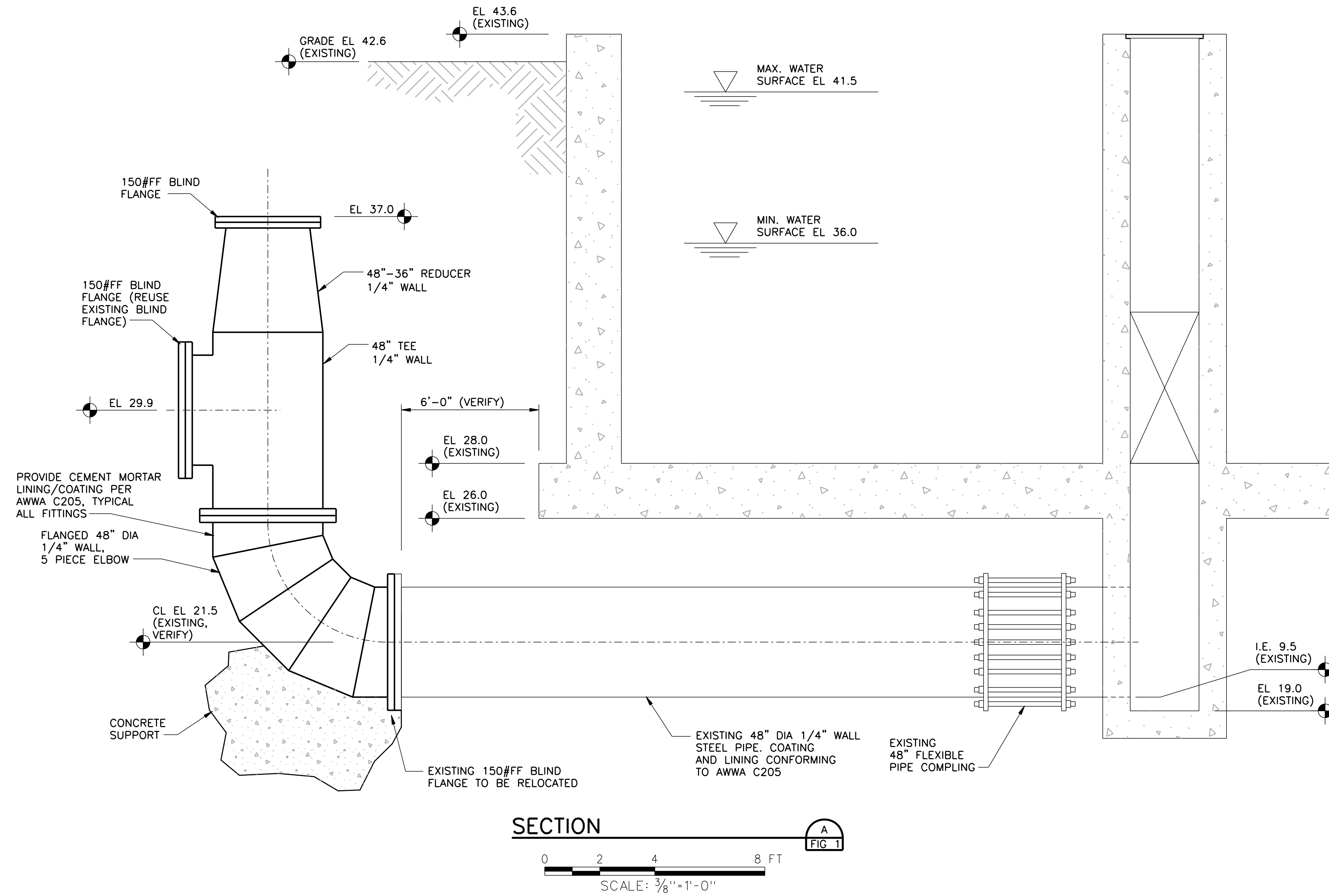
CITY OF LODI
RAW WATER PUMP STATION

EXHIBIT B



FILENAME	col_rwps_fig_2.dgn
DATE	12/21/2007

SHEET
FIGURE 2



RESOLUTION NO. 2008-_____

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING THE
CITY MANAGER TO EXECUTE AGREEMENT WITH WOODBRIDGE
IRRIGATION DISTRICT FOR THE REIMBURSEMENT OF COSTS FOR
CONSTRUCTION OF RAW WATER SUPPLY PIPING FOR THE LODI
SURFACE WATER TREATMENT PLANT AND APPROPRIATING FUNDS
FOR THIS PROJECT

=====

WHEREAS, the Woodbridge Irrigation District (WID) is currently constructing a fish screen at the head of their main irrigation canal; and

WHEREAS, in planning for the City's future surface water diversions, WID at no cost to the City of Lodi incorporated a 48-inch diameter raw water supply pipe into the design and construction of the fish screen facility for Lodi to access at a later time when the surface water treatment plant was being constructed; and

WHEREAS, it was discovered the 48-inch diameter raw water supply pipe could be terminated at a higher elevation during the fish screen construction, thereby making it significantly easier to connect to the pipeline during construction of the City's surface water treatment plant; and

WHEREAS, due to right-of-way issues and the need to perform a significant excavation near the river, this modification will cost significantly less to implement now since the excavation is currently open and the temporary right-of-way has been acquired; and

WHEREAS, WID is strongly suggesting this work be performed as part of fish screen improvements to avoid a future excavation adjacent to their completed facility.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council hereby authorizes the City Manager to execute an agreement with Woodbridge Irrigation District for the reimbursement of costs for construction of raw water supply piping for the Lodi Surface Water Treatment Plant; and

BE IT FURTHER RESOLVED that funds in the amount of \$60,000 be appropriated from the Water Development Impact Fee fund.

Dated: January 16, 2008

=====

I hereby certify that Resolution No. 2008-_____ was passed and adopted by the Lodi City Council in a regular meeting held January 16, 2008, by the following votes:

AYES: COUNCIL MEMBERS –

NOES: COUNCIL MEMBERS –

ABSENT: COUNCIL MEMBERS –

ABSTAIN: COUNCIL MEMBERS –

RANDI JOHL
City Clerk

RESOLUTION NO. 2008-_____

A RESOLUTION OF THE LODI CITY COUNCIL
AUTHORIZING THE CITY MANAGER TO EXECUTE
CONTRACT AMENDMENT NO. 1 WITH HDR ENGINEERING,
INC., TO ADD RAW WATER PUMP STATION DESIGN AND
CALIFORNIA DEPARTMENT OF PUBLIC HEALTH PERMIT
CONSULTATIONS AND FURTHER APPROPRIATING FUNDS

=====

WHEREAS, HDR Engineering, Inc., (HDR) has been under contract with the City of Lodi since May 2007 to prepare the surface water treatment facility conceptual design and feasibility evaluation for utilization of the Woodbridge Irrigation District (WID) surface water supply; and

WHEREAS, Amendment No. 1 would provide for the near-final design of the raw water supply pipeline and pumping station to coordinate with the WID construction underway and performance of research and analysis of the California Health and Safety Code required to develop a strategic action plan with respect to recreational use of Lodi Lake and the point of diversion for a public drinking water supply; and

WHEREAS, in cooperation with the City, WID will have its contractor construct one elbow of the new raw water supply piping; and

WHEREAS, construction of a new fish screen by WID has included the installation of a horizontal pipe stub that would be the future connection point for the raw water supply to the water treatment plant, and staff recommends the installation of the elbow at this time and this requires that the design of the pipeline and pump station be advanced from conceptual to near-final design level; and

WHEREAS, Lodi Lake includes a swimming beach, and several provisions of the California Health and Safety Code, Division 104, are potentially relevant to the proposed diversion from the Mokelumne River for the water treatment plant. Several alternatives exist for addressing the various and different provisions of the code and their applicability to this project. A position paper and decision matrix will be prepared and discussed with California Department of Public Health for the purpose of establishing a strategic action plan.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby authorize the City Manager to execute Contract Amendment No. 1 with HDR Engineering, Inc., in the amount of \$32,000 to add raw water pump station design and consultations with California Department of Public Health; and

BE IT FURTHER RESOLVED that funds in the amount of \$32,000 be appropriated from the Water Development Impact Fee fund.

Dated: January 16, 2008

=====

I hereby certify that Resolution No. 2008-_____ was passed and adopted by the City Council of the City of Lodi in a regular meeting held January 16, 2008, by the following vote:

AYES: COUNCIL MEMBERS –

NOES: COUNCIL MEMBERS –

ABSENT: COUNCIL MEMBERS –

ABSTAIN: COUNCIL MEMBERS –

RANDI JOHL
City Clerk

2008-_____



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Accept Improvements Under Contract for the Water and Wastewater Main Replacement Program, Project No. 3, Various Locations

MEETING DATE: January 16, 2008

PREPARED BY: Public Works Director

RECOMMENDED ACTION: Accept the improvements under the Water and Wastewater Main Replacement Program, Project No. 3 contract.

BACKGROUND INFORMATION: The project was awarded to J. F. Pacific Liners, Inc., of Vacaville, on December 6, 2006, in the amount of \$825,575. The contract has been completed in substantial conformance with the plans and specifications approved by City Council.

The City's Water and Wastewater Main Replacement Program is intended to systematically replace and, where needed, upgrade existing water and wastewater infrastructure within the oldest areas of the City. In these older areas, wastewater pipelines are mostly constructed of terracotta or concrete pipe and the waterlines are largely constructed of small-diameter cast iron or steel pipe. The majority of these pipes are in need of rehabilitation and/or replacement.

Project No. 3 was the third project in this program and focused on rehabilitating wastewater mains that are located in the greater Downtown area. Project No. 3 included in-place (trenchless) rehabilitation of approximately 10,900 linear feet of 6-inch diameter wastewater main, the rehabilitation of 61 manholes, and the reconnection of 322 wastewater laterals.

The final contract price was \$760,926.78. The difference between the contract amount and the final contract price was mainly due to a reduction/elimination of several contract items and two contract change orders. The engineer's estimate for the contract item to rehabilitate the 6-inch diameter wastewater main was 12,500 linear feet and only 10,900 linear feet was actually installed (a decrease in the contract of \$43,011). In addition, only seven point repairs were performed by the contractor as opposed to the 25 point repairs in the original contract (a decrease in the contract of \$84,000). Contract Change Order No. 1 added \$11,462 to the contract and compensated the contractor for work done to cut protruding laterals in the wastewater main. Contract Change Order No. 2 increased the contract amount by \$48,999.58. This second change order was issued to Pacific Liners, Inc., to pay for the pre-lining cleaning and Closed Circuit Television (CCTV) work in the wastewater mains, the additional work and time needed to work in the wastewater mains which were holding wastewater due to sags, adjustments in the contract quantities and the adjustment in overhead costs due to the reduction in contract quantities. Contract Change Order No. 2 also included the elimination of Wastewater Improvement Contract Item No. 5, "Wastewater Service Cleanout" and the Wastewater Improvement Contract Item No. 7, "Abandon Existing Wastewater Manhole".

APPROVED: _____
Blair King, City Manager

Following acceptance by the City Council, as required by law, the City Engineer will file a Notice of Completion with the County Recorder's office. The notice serves to notify vendors and subcontractors that the project is complete and begins their 30-day period to file a stop notice requiring the City to withhold payments from the prime contractor in the event of a payment dispute.

FISCAL IMPACT: The new wastewater mains should result in a slight decrease in maintenance costs.

FUNDING AVAILABLE: This project is partially funded by an EPA State and Tribal Assistance Grant account for water, wastewater, and groundwater infrastructure projects. The grant will fund \$385,700 of the project construction costs.

EPA Grant Funds (EPA reimbursement to City)	\$385,700.00
Water/Wastewater Capital Maintenance funds (171678)	\$375,226.78

Richard C. Prima, Jr.
Public Works Director

Prepared by Wes Fujitani, Senior Civil Engineer

RCP/WF/pmf

cc: Charles Swimley, Water Service Manager



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolution Accepting Improvements in Century Meadows Park,
1833 Lexington Drive

MEETING DATE: January 16, 2008

PREPARED BY: Public Works Director

RECOMMENDED ACTION: Adopt a resolution accepting the development improvements for Century Meadows Park, 1833 Lexington Drive.

BACKGROUND INFORMATION: On November 3, 2004, the City Council adopted a resolution authorizing the City Manager to execute the Park Purchase and Construction Agreement with FCB Building Partners I, L.P., for the acquisition of the Century Meadows Park site and the construction of the park improvements.

The Park Purchase and Construction Agreement provided for the acquisition of the three-acre park site and the constructed improvements from the developer by issuing Parks and Recreation Impact Mitigation Fee credits in exchange for the delivery of the improved park site. Under the terms of the agreement, the developer is also responsible for construction administration costs.

Conditions of the escrow instructions require that the park improvements be completed and that the City Council approve a resolution accepting the improvements before the property can be transferred from FCB Building Partners I, L.P., to the City of Lodi.

Work on the park improvements began in the spring of 2005 and was substantially completed in the spring of 2006. However, problems with weeds in the park turf delayed the City's acceptance of this project. The developer's landscape contractor, Valley Landscape, performed additional sprayings and turf maintenance until this weed problem was eliminated, and our Parks and Recreation Department is now ready for the City to complete the purchase of the property.

FISCAL IMPACT: There will be an increase in our Parks and Recreation Department's maintenance costs due to the addition of this new park.

FUNDING AVAILABLE: Not applicable.

Steve Dutra
Interim Parks and Recreation Director

Richard C. Prima, Jr.
Public Works Director

Prepared by Wes Fujitani, Senior Civil Engineer
RCP/WKF/pmf

APPROVED: _____
Blair King, City Manager

RESOLUTION NO. 2008-_____

A RESOLUTION OF THE LODI CITY COUNCIL
ACCEPTING THE IMPROVEMENTS INCLUDED IN
THE PARK PURCHASE AND CONSTRUCTION
AGREEMENT FOR CENTURY MEADOWS PARK,
1833 LEXINGTON DRIVE

=====

The City Council of the City of Lodi finds:

1. That all requirements of the Park Purchase and Construction Agreement between the City of Lodi and FCB Building Partners I, L.P., for the acquisition of the Century Meadows Park site at 1833 Lexington Drive, Lodi, California and the construction of the park improvements, have been substantially complied with.

Dated: January 16, 2008

=====

I hereby certify that Resolution No. 2008-_____ was passed and adopted by the City Council of the City of Lodi in a regular meeting held January 16, 2008, by the following vote:

AYES: COUNCIL MEMBERS –

NOES: COUNCIL MEMBERS –

ABSENT: COUNCIL MEMBERS –

ABSTAIN: COUNCIL MEMBERS –

RANDI JOHL
City Clerk

2008-_____



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolution Authorizing the City Manager to Approve the Northern California Power Agency Green Power Project (NGPP) Amended 3rd Phase Agreement (EUD)

MEETING DATE: January 16, 2008

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: Adopt a resolution authorizing the City Manager to execute a Northern California Power Agency (NCPA) Green Power Project Amended 3rd Phase Agreement.

BACKGROUND INFORMATION: The purpose of the NCPA Green Power Project (NGPP) is to facilitate (i) the purchase of electricity from renewable resources and (ii) the investigation/acquisition of physical assets to generate electricity using renewable resources. The NGPP is intended to reduce reliance on fossil fuels by member utilities and aid in reaching renewable energy goals. At the same time, participating members like Lodi will benefit from the diversity which results from spreading energy requirements over multiple projects and from the economies of a pooled approach to resource acquisition.

The NGPP Agreement is an agreement between each participating Member and NCPA, and authorizes NCPA to procure eligible renewable power supply resources through resource development as well as one or more Requests for Proposals (RFP). The object of the RFP's is to seek out those proposals that will meet the renewable resource standards and provide the best value for the participants in the NGPP. The NGPP is expected to pursue resources developed and constructed by NCPA as well as purchases from independent renewable power producers through long-term or equity position contracts.

Eight NCPA member agencies will be participating in the NGPP. They include BART, Healdsburg, Lompoc, Palo Alto, Plumas, Santa Clara, Ukiah and Lodi. The total level of interest by the participant group is 64 megawatts (MW) with Lodi indicating an interest of up to 5 MW. With evolving state and federal regulations in the areas of Green House Gases and Renewable Portfolio Standards (RPS), membership by Lodi in NGPP will provide the opportunity to increase Lodi's portfolio of renewable power projects if and when desired. While Lodi complies with current laws on RPS levels (20% in 2017), there is proposed legislation that would increase RPS requirements significantly.

Any current NGPP signatory's failure to enact a resolution similar to approve the NGPP Agreement by January 31, 2008 will nullify this amended agreement and leave participants with the original version of the NGPP agreement as binding. In this case, Lodi would be unable to participate.

Execution of the Amended NGPP Agreement does not constitute a project for the purposes of the California Environmental Quality Act (CEQA). However, the Participants intend to receive output from projects that will constitute a project for the purposes of CEQA. The Amended NGPP Agreement

APPROVED: _____
Blair King, City Manager

provides for NCPA, on behalf of itself and the project participants, to ensure that appropriate environmental reviews have been conducted prior to project implementation.

A copy of the Amended NGPP 3rd Phase Agreement is attached.

FISCAL IMPACT: EUD will be responsible to pay about \$10,000 in NGPP set-up and development costs. In addition, Lodi will pay its proportionate share of ongoing NGPP costs, which are expected to be less than \$10,000 for the remainder of FY08.

FUNDING: Funding for these costs will be through EUD's FY08 Power Supply operating budget account.

Kirk Evans, Budget Manager

George F. Morrow
Electric Utility Director

GFM/lst

Attachments

AMENDED
NCPA GREEN POWER PROJECT
THIRD PHASE AGREEMENT

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Exhibits

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Exhibit F	Form of Request for Proposals
Exhibit G	Form of Power Purchase Agreement

AMENDED NCPA GREEN POWER PROJECT THIRD PHASE
AGREEMENT

This Amended Third Phase Agreement (hereinafter "Amended Agreement") is entered into on the Effective Date by and between the NORTHERN CALIFORNIA POWER AGENCY, a joint powers agency, created pursuant to the laws of the State of California (hereinafter "NCPA") and its members executing this Amended Agreement as reflected on Exhibit A hereto (hereinafter "Participants") for the purpose of procuring electrical power from NCPA's Green Power Project (hereinafter "NGPP"). NCPA and the Participants are referred to herein individually as a "Party" and collectively as the "Parties."

RECITALS

- A. NCPA and the Participants are interested in purchasing additional electricity generation from renewable resources for the benefit of Participants' customers.
- B. By purchasing electricity generated from renewable resources, NCPA and the Participants will help reduce the production of many environmental pollutants, assist in reducing reliance on fossil fuels, assist in stabilizing

the Participants' electric retail rates, and aid the State of California in reaching its renewable energy goals.

- C. This Amended Agreement will better enable NCPA to negotiate and enter into contracts to purchase electricity from renewable resources and investigate the acquisition of physical assets to generate electricity using renewable resources under market conditions that have changed from the time of the original Green Power Project.
- D. Through this Amended Agreement each Participant also seeks increased flexibility to choose and integrate any and all renewable resource acquisitions to their own unique needs arising from each Participants load profile, existing renewable energy portfolio, and transmission constraints.
- E. The Participants also desire to obligate and enable NCPA to conduct the foregoing activities, and deliver electricity from renewable resources to the Participants, and to obligate and enable the Participants to take delivery of and pay for such electricity and to investigate the acquisition of physical assets or the development of such to deliver electricity and to pay NCPA for the costs of undertaking the foregoing activities.
- F. This Amended Agreement supersedes that certain NGPP Third Phase Agreement entered into between NCPA and certain of the Participants with the effective date of December 14, 2006.

NOW THEREFORE, in consideration of the foregoing and the mutual promises and covenants hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree and intend to be legally bound as follows:

Section 1. Definitions.

1.1 Definitions.

Whenever used in this Amended Agreement (including the Recitals hereto), the following terms shall have the following respective meanings:

1.1.1 "Adjusting Participant" has the meaning set forth in Section 7.3.1.

1.1.2 "Amended Agreement" means this NCPA Green Power Project Third Phase Agreement, including all Exhibits attached hereto and incorporated by reference, as the same may be amended from time to time in accordance with the terms and conditions hereof.

1.1.3 "Allocating Participant" has the meaning set forth in Section 7.2.

1.1.4 "Associate Member" means an associate member of NCPA admitted to NCPA in accordance with Article IV, Section 7 of the Joint Powers Agreement.

1.1.5 “Average Capacity” in MW means the annual quantity of electricity in MWh forecast to be delivered from all NGPP Resources including the Proposed Resource calculated at the time a decision is made by NCPA with respect to whether to approve the Proposed Resource in accordance with Section 3.4 divided by the number of hours in the year.

1.1.6 “Business Day” means any day except a Saturday, Sunday, or a Federal Reserve Bank holiday. A Business Day shall open at 8:00 a.m. and close at 5:00 p.m. local time.

1.1.7 “Claims” has the meaning set forth in Section 10.2.

1.1.8 “Commission” means the NCPA Commission.

1.1.9 “Constitutive Documents” means, with respect to NCPA, the Joint Powers Agreement and any resolutions or bylaws adopted thereunder, and with respect to each Participant, the California Government Code and other statutory provisions applicable to such Participant, any applicable agreements, charters, contracts or other documents concerning the formation, operation or decision making of such Participant, including, if applicable, its City Charter, and any codes, ordinances, bylaws, and resolutions adopted by such Participant’s governing body.

1.1.10 “Contract Price” means the actual contract price for procuring electricity from a Proposed Resource at the time a Power Purchase Agreement is executed.

1.1.11 “Defaulting Party” has the meaning set forth in Section 9.1.

1.1.12 “Effective Date” has the meaning set forth in Section 2.

1.1.13 “Electric System” means, with respect to each Participant, all properties and assets, real and personal, tangible and intangible, of the Participant now or hereafter existing, used for or pertaining to the generation, transmission, transformation, distribution and sale of electric capacity and energy, or the utilization of such, including all additions, extensions, expansions, improvements and betterments thereto and equipment thereof; provided, however, that to the extent the Participant is not the sole owner of an asset or property or to the extent that an asset or property is used in part for the above described purposes, only the Participant’s ownership interest in such asset or property or only the part of the asset or property used for electric purposes shall be considered to be part of its Electric System.

1.1.14 “Eligible Renewable Resource” means an electric power generator (i) producing power from one or more of the following fuels: Biomass, Biodiesel, Fuel cells using renewable fuels, Digester gas, Geothermal, Landfill gas, Municipal solid waste conversion, Ocean wave, Ocean thermal, Tidal current, Photovoltaic, Small hydroelectric (30 megawatts or less), Solar thermal, Wind, or other fuels and technologies as may be deleted from or added

to this list by the Participants, pursuant to Section 6.2, from time to time, and any additions or enhancements to a facility using such fuels and technology and (ii) which are (a) located within California, (b) are located outside of California and have their first point of interconnection with the Western Electricity Coordinating Council transmission system located within California or (c) are located outside of California but deliver electricity to a substation or node within California, or (d) as otherwise determined by the Participants pursuant to Section 6.2.

1.1.15 "Environmental Attributes" means any and all credits, benefits, emissions reductions, offsets, and allowances, howsoever entitled, directly attributable to the generation from NGPP Resources. Environmental Attributes include but are not limited to: (1) any avoided emissions of pollutants to the air, soil or water such as sulfur oxides (SO_x), nitrogen oxides (NO_x), carbon monoxide (CO) and other pollutants; (2) any avoided emissions of carbon dioxide (CO₂), methane (CH₄) and other greenhouse gases (GHGs) that have been determined by the United Nations Intergovernmental Panel on Climate Change to contribute to the actual or potential threat of altering the Earth's climate by trapping heat in the atmosphere; and (3) the reporting rights to these avoided emissions such as Green Tag Reporting Rights. Environmental Attributes do not include (1) any energy, capacity, reliability or other power attributes from NGPP Resources, (2)

production tax credits associated with the construction or operation of the energy projects and other financial incentives in the form of credits, reductions, or allowances associated with a project that are applicable to a state or federal income taxation obligation, (3) fuel-related subsidies or "tipping fees" that may be paid to Seller to accept certain fuels, or local subsidies received by the generator for the destruction of particular pre-existing pollutants or the promotion of local environmental benefits, or (4) emission reduction credits encumbered or used by NGPP Resources for compliance with local, state, or federal operating and/or air quality permits.

1.1.16 "Event of Default" has the meaning set forth in Section 9.1.

1.1.17 "Forecast Price" means the estimated Contract Price for procuring electricity from a Proposed Resource, calculated at the time a decision is made with respect to whether to approve or Opt-Out of participating in the Proposed Resource.

1.1.18 "Joint Powers Agreement" means that certain Northern California Power Agency Joint Power Agreement by and among the Members as the same may be amended from time to time.

1.1.19 "Maximum Average Capacity" means the sum of the Participant elections expressed as average annual MWs labeled as "Total Annual aMW" in Exhibit A.

1.1.20 "Maximum Contract Price" means the applicable lawful ceiling price for capacity and/or energy at the time a purchase of an Eligible Renewable Resource is consummated; currently, the CAISO Bid Cap for its real-time imbalance energy market as approved by the Federal Energy Regulatory Commission

1.1.21 "Member" means any Associate Member or Voting Member of NCPA.

1.1.22 "MW" means megawatt.

1.1.23 "MWh" means megawatt-hour.

1.1.24 "NCPA" has the meaning set forth in the preamble hereto.

1.1.25 "NCPA Annual Budget" means the budget for the ensuing Budget Year adopted by the Commission, as it may be amended from time to time.

1.1.26 "NGPP" means the NCPA Green Power Project, which consists of the pool of NGPP Resources.

1.1.27 "NGPP Oversight Committee" means a committee of Participant Representatives established at the NCPA General Manager's discretion, for the purpose of offering input and recommendations to NCPA Staff or the General Manager with respect to matters pertaining to this Amended Agreement pursuant to the provisions of Section 6.3.

1.1.28 “NGPP Project Budget” means the budget created by NCPA to estimate the annual NGPP Project Costs, having the following budget subcategories:

- (i) “NGPP Program Budget” means the budget created by NCPA to estimate the annual, non-bypassable NGPP Program Costs
- (ii) “NGPP Development Budget” means the budget(s) created by NCPA to estimate the NGPP Development Costs to be incurred prior to the time of execution of a Third Phase Agreement to pursue the development of a Proposed Resource for those Participants who have not exercised their initial Opt-Out right.
- (iii) “NGPP PPA Budget” means the budget(s) created by NCPA to estimate the NGPP PPA Costs to be incurred to finalize the acquisition of a Proposed Resource through a Power Purchase Agreement for those Participants who have not exercised their Opt-Out right.

1.1.29 “NGPP Project Costs” means any and all costs, internal and external, direct and indirect, incurred by NCPA in connection with performing its obligations under this Amended Agreement, including NGPP Program Costs, NGPP PPA Costs, and NGPP Development Costs.

- (i) “NGPP Program Costs” means all costs incurred by NCPA prior to the time Participants are afforded an opportunity to Opt-Out of the procurement or development of an Eligible Renewable Resource, including but not limited to costs incurred to issue Requests for Proposals, and the investigation and evaluation thereof, and preparation of corresponding Preliminary Resource Summaries.

- (ii) “NGPP PPA Costs” means all costs incurred by NCPA to acquire and pay for an Eligible Renewable Resource through a Power Purchase Agreement, including but not limited to negotiating and implementing Power Purchase Agreements, provided that such costs arise after Participants have been afforded a chance to exercise their Opt-Out rights in accordance with Section 3.4.
- (iii) “NGPP Development Costs” means all costs, incurred by NCPA to develop an Eligible Renewable Resource, including but not limited to further investigation, preliminary arrangements for financing, and the provision of recommendations regarding the development, construction, installation, operation, ownership and maintenance of the Eligible Renewable Resources, provided that such costs arise after Participants have been afforded a chance to exercise their Opt-Out rights in accordance with Section 3.4 and prior to the Participants approval of a Third Phase Agreement in accordance with the NCPA Facilities Agreement;

1.1.30 “NGPP Resource” means a Proposed Resource that has been approved as an NGPP Resource in accordance with Section 3.4.

1.1.31 “Participant” has the meaning set forth in the preamble hereto.

1.1.32 “Participant Representative” has the meaning set forth in Section 6.4 with respect to the NGPP Oversight Committee.

1.1.33 “Party” or “Parties” has the meaning set forth in the preamble hereto.

1.1.34 “Participation Percentages” has the meaning set forth in Section 7.1.

1.1.35 “Power Purchase Agreement” or “PPA” means an agreement executed by NCPA, or to be executed by NCPA, for the purchase and delivery of electric energy, capacity or other energy services and Environmental Attributes.

1.1.36 “Preliminary Resource Schedule” means a “Resource Schedule” substantially in the form of Exhibit B submitted to the NCPA Commission as an initial evaluation of responses to a Request for Proposals for the purposes of allowing Participants to make an election to Opt-Out of further participation with respect to an otherwise Eligible Renewable Resource in accordance with sections 3.4 and 6.2 below.

1.1.37 “Procure” and other forms of such verb, including Procurement, Procuring, and Procured, means acquiring the output of Eligible Renewable Resources, including all Environmental Attributes associated with any electricity generated in connection therewith, through contracts with facilities owned by third parties, by purchasing existing Eligible Renewable Resources, by developing, constructing, installing, owning, operating, maintaining, and controlling Eligible Renewable Resources, or such other means as may be approved by the Participants from time to time.

1.1.38 “Procurement Conditions” has the meaning set forth in Section 3.1.

1.1.39 “Proposed Resource” has the meaning set forth in Section 3.3.1.

1.1.40 “Request for Proposals” means the solicitation of competitive bids from third parties to supply Eligible Renewable Resources under this Agreement, substantially in the form of Exhibit F attached hereto.

1.1.41 “Resource Allocation Percentage” means a Participant’s Participation Percentage as adjusted according to the terms of this Amended Agreement by reason of one or more Participant’s exercise of their Opt-Out rights.

1.1.42 “Resource Schedule” means a Resource Schedule, substantially in the form of Exhibit B, identifying the location of the Proposed Resource, its size and technology, type of Procurement, the estimated costs (both total and per MWh) and underlying assumptions, key milestone dates (such as commercial operation date and delivery period), a description of the definitive agreements, a proposed budget for pursuing the Procurement of electricity from the Proposed Resource and a proposed mechanism for financing the Procurement.

1.1.43 “Revenues” means, with respect to each Participant with the exception of BART, all income, rents, rates, fees, charges, and other

moneys derived by the Participant from the ownership or operation of its Electric System, including, without limiting the generality of the foregoing, (a) all income, rents, rates, fees, charges or other moneys derived from the sale, furnishing and supplying of electric capacity and energy and other services, facilities, and commodities sold, furnished, or supplied through the facilities of its Electric System, (b) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by or pursuant to law to its Electric System and (c) the proceeds derived by the Participant directly or indirectly from the sale, lease or other disposition of all or a part of the Electric System, but the term Revenues shall not include (i) customers' deposits or any other deposits subject to refund until such deposits have become the property of the Participant or (ii) contributions from customers for the payment of costs of construction of facilities to serve them. In regard to BART, BART shall generate revenues sufficient to cover its obligations under this Amended Agreement through tariffs, fees, or other sources of revenue except through such sources as may be limited by law.

1.1.44 "Scheduling Protocols" means the contractual or other arrangements between NCPA and the relevant Participant concerning the scheduling, delivery and metering of electricity.

1.1.45 "Security Account" means the account established by NCPA and funded by the Participants in accordance with Section 5.5, the funds of which are available for use by NCPA in accordance with the terms and conditions hereof.

1.1.46 "Term" has the meaning set forth in Section 8.

1.1.47 "Voting Member" means a party to the Joint Powers Agreement.

1.1.48 "Withdrawing Participant" has the meaning set forth in Section 7.3.

1.2 Rules of Interpretation.

As used in this Amended Agreement (including the Recitals hereto), unless in any such case the context requires otherwise: the terms "herein," "hereto," "herewith" and "hereof" are references to this Amended Agreement taken as a whole and not to any particular provision; the term "include," "includes" or "including" shall mean "including, for example and without limitation;" and references to a "Section," "subsection," "clause," or "Exhibit" shall mean a Section, subsection, clause or Exhibit of this Amended Agreement, as the case may be. All references to a given agreement, instrument or other document shall be a reference to that agreement, instrument or other document as modified, amended, supplemented and restated through the date as of which such reference is made, and reference to a law, regulation or ordinance includes any

amendment or modification thereof. A reference to a "person" includes any individual, partnership, firm, company, corporation, joint venture, trust, association, organization or other entity, in each case whether or not having a separate legal personality and includes its successors and permitted assigns. The singular shall include the plural and the masculine shall include the feminine, and *vice versa*.

Section 2. Effective Date of Agreement.

This Amended Agreement shall become effective upon the latest date of execution by a Party hereto ("Effective Date"), provided that all the Participants listed in Exhibit A have executed the Amended Agreement prior to January 31, 2008, upon which, NCPA's General Manager shall notify all Participants of the Effective Date. A copy of such notification shall be affixed to the official copy of this Amended Agreement.

Section 3. Procurement Process.

3.1 Request for Proposals and PPA(s).

All procurement activities undertaken pursuant to this Amended Agreement shall be in accordance with the form of Request for Proposals and accompanying PPA(s) attached hereto and incorporated herein by reference as Exhibits F & G

respectively, as may be amended in accordance with Section 10.5. NCPA represents that the following conditions will be observed when undertaking its procurement activities ("Procurement Conditions"):

- (i) Each Proposed Resource shall be an Eligible Renewable Resource;
- (ii) The Average Capacity of all NGPP Resources shall not exceed the Maximum Average Capacity;
- (iii) The period of time for which NCPA is obligated to accept and pay for electricity under any singular PPA shall not exceed twenty-five years;
- (iv) The Contract Price for purchasing electricity under any singular PPA shall not exceed the Maximum Contract Price;
- (v) The PPA(s) will be approved as to form by NCPA's General Counsel;
- (vi) Where Procurement of electricity from a Proposed Resource requires that NCPA obtain financing, each PPA shall be subject to NCPA obtaining reasonable financing; and
- (vii) All Environmental Attributes associated with the Proposed Resource will be transferred to NCPA;

3.2 Participant Approval of Procurement Process.

By executing this Amended Agreement, the Participant acknowledges and agrees to be bound by the procurement process contained in or referenced by the Request for Proposals and PPA(s) approved by the Participants pursuant to Section 6.2 as provided for herein.

3.3 Approval of NGPP Resources.

AMENDED THIRD PHASE AGREEMENT - NCPA GREEN POWER POOL

3.3.1 Identification of Resources and Request for Review.

For all Eligible Renewable Resource that NCPA seeks to include as a NGPP Resource ("Proposed Resource"), NCPA will present to the Commission a Preliminary Resource Schedule, substantially in the form of Exhibit B attached hereto, together with an estimated budget for completing the acquisition and or development of the Proposed Resource. Notwithstanding any other provision in this Amended Agreement to the contrary, at the time the Proposed Resource is submitted to the Commission, each Participant shall be afforded an opportunity to discontinue their participation in the Procurement ("Opt-Out") of an otherwise Eligible Renewable Resource consistent with the procedures provided in section 6.2 below, and within the following time limitations:

- (i) At the first NCPA Commission meeting following the Effective Date each Participant shall be provided with a Preliminary Resource Schedule and estimated budget for all Proposed Resources qualifying under the initial Request for Proposals issued on September 25, 2006.
- (ii) For each Request for Proposals issued after the Effective Date, NCPA shall prepare a Preliminary Resource Schedule and estimated budget based upon the best information available to NCPA staff within 180 days of the date of issuance of the Request for Proposals, and submit it to the Participants at the next regularly scheduled NCPA Commission meeting.

3.3.2 Review by Oversight Committee. At the General Manager's discretion, the NGPP Oversight Committee may be requested to

review and provide written comments and recommendations to NCPA on whether to include the relevant Proposed Resource as an NGPP Resource. If the General Manager so requests, the NGPP Oversight Committee shall be provided with copies of relevant PPA(s) proposed to be executed by prospective counterparties any other information or materials prepared in connection with the evaluation of such Eligible Renewable Resource and produce such other summaries or analyses as the Commission or the NGPP Oversight Committee may reasonably request.

3.3.3 Action by NCPA. NCPA shall take action to add a Proposed Resource as a NGPP Resource for those Participants choosing not to Opt-Out of participating in the acquisition of an otherwise Eligible Renewable Resource pursuant to the provisions of Sections 3.3 and 6.2.

3.4 Additional Provisions Related to Development Opportunities. NCPA shall conduct investigations and analysis of potential development opportunities for Eligible Renewable Resources on behalf of the Participants. Such investigations and analysis may include but are not limited to: resource selection, market analysis, site acquisition, cost analysis of permitting and construction and partnership opportunities. At the General Manager's discretion, the NGPP Oversight Committee may review the recommendations of NCPA and comment accordingly. NCPA shall annually budget for these developmental expenditures as part of the NGPP Program Budget

The Participants agree that any decision to acquire a physical resource asset shall be made pursuant to Section 6.2 and shall be subject to the terms and conditions of a new development Third Phase Agreement undertaken in accordance with the Facilities Agreement. At the time the Third Phase Agreement is presented to the Commission for finalizing the development of an Eligible Renewable Resource the remaining Participants shall also be provided with a final opportunity to Opt-Out of the acquisition of the Proposed Resources. Should a Participant exercise its Opt-Out right at this stage the remaining Participants' Resource Allocation Percentages shall be adjusted proportionately, and the remaining Participants shall be liable for, and entitled to, the remaining costs and benefits of acquiring the Proposed Resources. No NCPA action related to development opportunities shall require any Participant to commit to more power than its Average MW Participant election stated in Exhibit A.

3.5 Delivery of Electricity / Allocation of Environmental Attributes. Any electricity delivered to NCPA from an NGPP Resource shall be delivered to each Participant in accordance with such Participant's Participation Percentage, or Resource Allocation Percentage as applicable, and each Participant shall accept and pay for its relevant percentage of such electricity. NCPA may allocate electricity generated by, and/or delivered to NCPA from, any particular NGPP Resource among the Participants in such percentages as NCPA may, in its reasonable discretion and subject to the approval of the

affected Participant, determine are necessary, desirable, or appropriate; provided that the aggregate quantity of electricity delivered to any Participant during a calendar month shall equal such Participant's Participation Percentage, or Resource Allocation Percentage as applicable, of the aggregate amount of electricity generated and/or delivered to NCPA from all NGPP Resources during the relevant calendar month. Such electricity shall be delivered to the Participants in accordance with the Scheduling Protocols. Environmental Attributes, as defined herein, obtained by NCPA as a result of performance under this Amended Agreement shall likewise be transferred to each Participant in accordance with such Participant's Participation Percentage, or Resource Allocation Percentage as applicable.

3.6 Capacity Entitlement.

The collective capacity available from the NGPP Resources for planning and reliability purposes shall be allocated among the Participants in accordance with their respective Participation Percentage, or Resource Allocation Percentage as applicable.

3.7 Payments to Counterparties.

NCPA shall pay all NGPP Project Costs using operating or Security Account funds from amounts paid to NCPA in accordance with Section 5, or such other sources as may be agreed upon in writing by the Parties from time to time.

3.8 Removal of NGPP Resources from NGPP.

Any NGPP Resource that delivers electricity to NCPA under a PPA shall be automatically removed from the NGPP on the date its PPA terminates or expires. Any other NGPP Resource shall continue to be included in the NGPP until such time as the Participants approve removing it from the NGPP and approves the subsequent use of such NGPP Resource, including whether such NGPP Resource should be sold or decommissioned pursuant to Section 6.2. Any proceeds or costs associated with removing an NGPP Resource from the NGPP shall be allocated among the Participants in accordance with the Participation Percentages, or Resource Allocation Percentages as applicable, unless otherwise agreed upon in writing by the Participants.

Section 4. Cooperation and Further Assurances.

Each of the Parties agrees to provide such information, execute and deliver any instruments and documents and to take such other actions as may be necessary or reasonably requested by any other Party which are not inconsistent with the provisions of this Amended Agreement and which do not involve the assumption of obligations other than those provided for in this Amended Agreement, in order to give full effect to this Amended Agreement and to carry out the intent of this Amended Agreement. Further, the Parties agree to cooperate and act in good faith in connection with obtaining any financing

required in order to Procure electricity from an NGPP Resource, including with respect to negotiating and executing any agreements to implement any financing arrangements.

Section 5. Budget, Operating Fund, Invoicing.

5.1 “NGPP Cost Allocation.”

NGPP Program Costs allocated to the Participants under this Amended Agreement and through the NCPA Annual Budget shall be in proportion to the Participation Percentages; or in case a Participant elects to Opt-Out of the procurement of a Proposed Resource, NGPP PPA Costs and NGPP Development Costs shall be allocated to the Participants in proportion to the Resource Allocation Percentages for the Proposed Resource as detailed in Exhibit A.

5.2 Payment of NGPP Project Costs.

Each Participant shall be obligated to pay NCPA for its allocated share of NGPP Project Costs in proportion to its Participation Percentage, or Resource Allocation Percentage as applicable, and shall maintain working capital in accordance with NCPA's Annual Budget, and fund its Security Account obligation as required under this Amended Agreement.

5.3 Applicable Percentages of NGPP Project Costs and Budgets.

Each Participant's applicable share of NGPP Program Costs shall be in proportion to its Participation Percentage. If a Participant has exercised its

right(s) to Opt-Out of an otherwise Eligible Resource, the remaining Participants' share of NGPP PPA Costs or NGPP Development Costs shall be in proportion to their applicable Resource Allocation Percentages. NCPA shall be responsible for insuring that the respective budget estimates for each such category of costs are settled in accordance with Section 5.4.3 below.

5.4 Budgets and Budget Settlements.

5.4.1 Relation to the NCPA Annual Budget. Prior to the beginning of each fiscal year for which no budget has been adopted and for each fiscal year for which a budget will be adopted, NCPA, in conjunction with the Participants, shall prepare and deliver to each Participant a NGPP Project Budget estimating the NGPP Project Costs expected to be incurred over such fiscal year as a result of this Amended Agreement. Any Participant may request a detailed accounting of NCPA costs included as NGPP Project Costs in the NCPA Annual Budget and such Participant shall pay the reasonable costs of such accounting review.

5.4.2 The Participants' financial obligation to pay for costs under this Amended Agreement shall be adjusted if any Participant chooses to discontinue its participation in the acquisition of a Proposed Resource in accordance with the "Opt-Out" provision in section 3.4, upon which, each Participant's Project Participation Percentages shall be converted to Resource Allocation Percentages as a separate schedule to Exhibit A. Each Participant

exercising its right to Opt-Out of the acquisition process for a Proposed Resource shall be deemed to have a Resource Allocation Percentage of zero percent (0%) for that Proposed Resource, and shall cease to be obligated for those costs NCPA incurs going forward to acquire that resource but, remain obligated for costs incurred up to the date that the Participant exercised its right to Opt-Out. The Project Participation Percentages for those Participants that do not Opt-Out of the acquisition of a Proposed Resource shall be increased proportionately to assume the financial obligations of Participant(s) choosing to Opt-Out of a Proposed Resource. NCPA will promptly inform Participants of budget and cost allocation changes associated with Participant decisions to Opt-Out of otherwise eligible resource acquisitions.

5.4.3 Final NGPP Budget Settlement. A final NGPP Project Budget settlement for the prior fiscal year will be produced each year after the annual audit is completed. This shall normally occur on or prior to December 1 of each year.

5.5 Security Account.

5.5.1 Initial Deposit. Prior to the procurement of new Eligible Renewable Resources, but not later than the beginning of a new fiscal year at NCPA, each Participant shall deposit into the security account its estimated obligation for NGPP Project Costs. The amount of the deposit shall be an amount equal to each Participant's Participation Percentage, or Resource

Allocation Percentage, as applicable, of the three (3) highest months of: (a) the new fiscal year, or (b) the then immediately following twelve (12) months of NGPP Project Costs as that term is defined in Section 1.1.29 of this Amended Agreement.

5.5.2 Subsequent Deposits. Quarterly, and within thirty (30) days following execution by NCPA of any PPA or any financing commitment for the development of an Eligible Renewable Resource, NCPA shall review and revise its estimate of NGPP PPA Costs for the succeeding twelve (12) months. Following such review, NCPA shall determine whether each Participant has a sufficient balance in the Security Account. To the extent that any Participant's balance in the Security Account is greater than one hundred and ten percent (110%) of the deposit amount defined in section 5.5.1, NCPA shall credit such amount to the Participant's next invoice. To the extent that any Participant's balance in the Security Account is less than ninety percent (90%) of the deposit amount defined in section 5.5.1, NCPA shall add to such Participant's next invoice an amount necessary to cause such Participant's balance in the Security Account to be sufficient.

5.5.3 Use of Security Account Funds. NCPA may use any and all funds deposited into the Security Account to pay any NGPP Project Costs, including making payments to counterparties under any PPA, payment of consultants, attorneys and accountants performing services related to

Procurement activities, reimbursing NCPA for its internal costs associated with performing its obligations under this Amended Agreement, and paying any Claims, without regard to any individual Participant's balance in the Security Account or proportionate share of NGPP Project Costs and irrespective of whether NCPA has issued an invoice for such NGPP Project Costs to the Participants or whether a Participant has made timely payments of invoices.

5.5.4 Special or Emergency Assessments. In the event that the funds in the Security Account are insufficient to allow payment of an invoice, demand, request for further assurances, or Claims, NCPA shall notify all Participants and then prepare and send a special or emergency assessment to the Participants. Each Participant shall pay to NCPA such assessment when and if assessed by NCPA within five (5) Business Days following the invoice date of the assessment.

5.5.5 Accounting and Interest. NCPA shall maintain a record of each Participant's deposits into and payments from the Security Account. Interest earned on the Security Account shall be credited to the Participants in accordance with the Participants share of the balance in the Security Account. Any losses in the Security Account shall be allocated among the Participants in accordance with their Participation Percentages.

5.5.6 Return of Funds. On the termination of this Amended Agreement with respect to a Participant or a permitted withdrawal of

a Participant in accordance with this Amended Agreement, the affected Participant or Participants may apply to NCPA for the return of their share of Security Account funds ninety (90) days after the effective date of such termination or withdrawal. NCPA shall, in its sole discretion, as determined by a vote of the Participants, excluding the vote of the withdrawing or terminated Participant(s) that are members thereof, estimate the then outstanding liabilities of the Participant(s), including any estimated contingent liabilities and shall retain all such funds until all such liabilities have been fully paid or otherwise satisfied in full. The balance of the Participant's share of the Security Account will be refunded to the Participant.

5.6 Invoicing.

5.6.1 Invoices. As part of NCPA's regular, monthly, advance billing or by separate special invoice, as required in the circumstances, NCPA will issue an invoice to each Participant for its proportionate share of the NGPP Project Costs (or any adjustments thereto) based on such Participant's Participation Percentage and/or Resource Allocation Percentages as applicable. Such invoice may include estimated costs and estimated settlement and meter data. Each invoice shall include: (i) the total NGPP Project Costs for such month and the relevant Participant's share thereof; (ii) the quantity of electricity and Environmental Attributes, by NGPP Resource, procured on behalf of such Participant (or an estimate thereof) and the unit price for such electricity; (iii)

appropriate settlement and meter data (or an estimate thereof); (iv) any adjustments to prior invoices required based on actual data received that was estimated in a previous invoice; (v) notice of the amount, if any, that NCPA has paid or expects to pay using funds available in the Security Account; and (vi) amounts due from (or credited to) such Participant under Section 5.5.2.

5.6.2 Payment of Invoices. All invoices delivered by NCPA hereunder are due and payable no later than thirty (30) days following the invoice date; provided, however, that any amount due on a day other than a Business Day may be paid on the following Business Day. NCPA may apply a Participant's share of the Security Account to the payment of all or any portion of an invoice issued to such Participant, provided that application of such funds from the Security Account shall not relieve the Participant from any late payment charges pursuant to Section 5.6.3. To the extent that NCPA applies funds from the Security Account to pay an amount due under an invoice, following receipt of payment of such invoice by the relevant Participant, NCPA shall deposit the relevant portion of the payment into the Security Account and credit such deposit to such Participant.

5.6.3 Late Payments. Any amount due and not paid by a Participant in accordance with Section 5.6.2 shall bear interest computed on a daily basis until paid at the lesser of (i) the per annum prime rate (or reference

rate) of the Bank of America NT&SA then in effect, plus two percent (2%) or (ii) the maximum rate permitted by law.

5.7 Auditing and Settlement Data.

5.7.1 Settlement Data. NCPA will make metering and settlement data available to the Participants. Procedures and formats for the provision of such data will be as established by the Participants and NCPA from time to time.

5.7.2 Audit Rights. Each Participant shall have the right to audit any data created or maintained by NCPA pursuant to this Amended Agreement on thirty (30) days prior written notice (unless otherwise agreed by NCPA). All audit rights shall be exercised in accordance with the rules and procedures adopted by NCPA.

5.8 Revenue Covenant

Any failure of a Participant to meet its obligations hereunder or to cure such failure in a timely manner shall constitute a Default and the Defaulting Party shall be subject to such remedies of NCPA as provided for herein. Each Participant covenants and agrees (i) to continue to pay or advance to NCPA, from its electric department revenues only or, in the case of BART, its tariffs, fees or other sources of revenue provided that such sources shall not include any sums derived from sources the use of which is limited by law to expenditures other than operating expenses, its percentage share of the costs authorized by

Participants in accordance with this Amended Agreement in connection with its participation in the Project. Each Participant further agrees that it will fix the rates and charges for services provided by its electric department, or in the case of BART, its general revenues, so that it will at all times have sufficient money in its department revenue funds to meet this obligation; (ii) to make payments under this Amended Agreement from the Revenues of, and as an operating expense of, its Electric System, or in the case of BART, its general revenues; (iii) to make payments under this Amended Agreement whether or not there is an interruption in, interference with, or reduction or suspension of services provided under this Amended Agreement; such payments not being subject to any reduction, whether by offset or otherwise, and regardless of whether any dispute exists provided such interruption, interference or reduction in services is caused by forces constituting an Act of God and not reasonably contemplated by the Parties; and (iv) to operate its Electric Systems, or in the case of BART, its transit system, in an efficient manner and to maintain its facilities in good repair, condition and working order so that: (a) the Participant's obligations to make payments under this Amended Agreement are not adversely affected or threatened; and (b) NCPA's bond rating and ability to negotiate and enter into a Power Purchase Agreement are not adversely affected or threatened.

Section 6. Administration of Agreement.

6.1 General.

NCPA has the sole overall responsibility and authority for the administration of this Amended Agreement. Any acts, decisions or approvals taken, made or sought by NCPA under this Amended Agreement shall be taken, made or sought, as applicable, in accordance with NCPA's Constitutive Documents and Section 6.2.

6.2 Action by Participants.

(a) Forum: Whenever any action anticipated by this Amended Agreement is required to be taken by the Participants, including but not limited to, the expressed authorization to add or to detract from the list of Eligible Renewable Resources, such actions shall be taken at a regular or special meeting of the NCPA Commission but shall be participated in only by those Commissioners, or their designated alternates, who are Participants.

(b) Quorum: A quorum at NCPA Commission meetings for purposes of acting upon matters relating to this Amended Agreement shall consist of Commissioners, or their designated alternates representing at least three Participants having a combined majority interest based upon Participation Percentages. Should the number of Participants choosing to Opt-Out of the procurement of an otherwise Eligible Renewable Resource reduce the number of remaining Participants to three or less, then a quorum shall consist of all remaining Participants.

(c) Voting: Each Participant shall have the right to cast one vote with respect to matters pertaining to this Amended Agreement, with a majority vote of the Participants required for action subject to the following exceptions;

- i. Upon request of any Participant representative, the voting on an issue shall be by Participation Percentage with a 65% or more favorable vote from two or more Participants necessary to carry the action.
- ii. After any decision related to this Amended Agreement is taken by the affirmative vote of Participants holding Participation Percentages of less than 65%, the action can be reviewed and revised if a Participant gives notice of intention to seek such review and revision to NCPA and each of the other Participants within ten (10) days following the date on which such action was taken. Upon receipt of such a request for reconsideration, the chairman of the Commission shall agendize the matter for reconsideration at the next regular meeting of the Commission or at a special meeting if the circumstances so warrant. The action shall be upheld upon the affirmative vote of authorized representatives of two or more Participants holding at least 65% of the total Participation Percentages. Any action taken upon reconsideration shall be final.
- iii. Any one Participant may exercise its right to Opt-Out of an otherwise Eligible Renewable Resource acquisition without regard to the action of any other Participant. Any Participant who Opts-Out of an otherwise Eligible Resource shall abstain from voting thereafter as to issues relating to that resource.

6.3 NGPP Oversight Committee.

NCPA may seek input and recommendations from the Participants regarding performance under this Amended Agreement. Accordingly, the General Manager of NCPA may establish, in his discretion, a committee comprised of Participant Representatives which may meet from time to time. Such committee shall be referred to as the NGPP Oversight Committee. The NGPP Oversight Committee may report to NCPA staff or the General Manager of NCPA, as the General Manager deems appropriate. The NGPP Oversight Committee may adopt rules of procedure consistent with the provisions of this Amended Agreement as it deems appropriate.

6.4 Participant Representatives.

If the General Manager establishes an NGPP Oversight Committee, each Participant shall:

- (i) Authorize and designate one representative ("Participant Representative"), and in its discretion, one or more alternates ("Designated Alternate") to serve on the NGPP Oversight Committee;
- (ii) Authorize its Participant Representative and Designated Alternates to vote on behalf of such Participant on recommendations on matters pertaining to this Amended Agreement; and
- (iii) Deliver to NCPA, written notice containing the name and contact information of such Participant's Participant Representative and Designated Alternate(s), if any.

Section 7. Participation Percentage; Admission and Withdrawal of Participants.

7.1 Participation Percentages and Resource Allocation Percentages.

The Participation Percentages and Resource Allocation Percentages of each Participant are as set forth in Exhibit A, as the same may be modified from time to time in accordance with the terms and conditions hereof.

7.2 Admission of New Participants.

Following the Effective Date of this Amended Agreement, no Member ("Additional Member") may execute this Amended Agreement and become a Participant unless one or more of the Participants ("Allocating Participants") elect to allocate a portion of its Participant Percentage to such Member. Upon agreement of the Allocating Participant and the Additional Member, the Additional Member shall deliver to NCPA and each other Participant the written agreement between the Additional Member and the Allocating Participant(s) indicating the agreed upon change in Participation Percentage(s), a counterpart of this Amended Agreement executed by the Additional Member, evidence that such agreements have been approved in accordance with its applicable Constitutive Documents and payment of such Member's share of the Security Account. Any reduction in any Allocating Participant's share of the Security Account shall be credited to the Allocating Participants in accordance with

Section 5.5.2. Upon receipt of all required documents, NCPA shall provide to all Participants, an updated Exhibit A reflecting the revised Participation Percentages.

7.3 Withdrawal of Participants.

7.3.1 Requirements and Process. Subsequent to the Effective Date of this Amended Agreement, any Participant may voluntarily withdraw from this Amended Agreement ("Withdrawing Participant") upon written agreement with one or more Participants ("Adjusting Participant") to assume the Withdrawing Participant's full Participation Percentage and provided further that such withdrawal does not violate any applicable financing conditions. The Withdrawing Participant shall provide notice of intent to withdraw to NCPA together with the applicable agreement between the Withdrawing Participant and the Adjusting Participant(s) regarding assumption of the Withdrawing Participant's Participation Percentage along with evidence that such agreement was approved in accordance with applicable Constitutive Documents. Upon receipt of all required documents, NCPA shall send a revised Exhibit A to all Participants reflecting the new allocation of Participation Percentages.

7.3.2 Associated Costs. A Withdrawing Participant shall reimburse NCPA for any and all costs resulting from its withdrawal, including but not limited to the legal, accounting, and administrative costs of winding up

and assuring the complete satisfaction and discharge of the Withdrawing Participant's obligations.

7.3.3 No Effect on Prior Liabilities. Withdrawal by any Participant will not terminate any ongoing or un-discharged contingent liabilities or obligations resulting from this Amended Agreement until they are satisfied in full or such Withdrawing Participant has provided a mechanism reasonably acceptable to NCPA and the remaining Participants, for the satisfaction in full thereof.

Section 8. Term and Termination.

The term ("Term") of this Amended Agreement shall commence on the Effective Date and shall continue until (i) terminated by consent of all of the Participants that have not previously withdrawn from this Amended Agreement in accordance with Section 7.3 or otherwise voluntarily or involuntarily had their participation in this Amended Agreement terminated or (ii) all NGPP Resources have been removed from the NGPP.

Section 9. Default and Remedies

9.1 Events of Default.

An event of default under this Amended Agreement shall exist with respect to a Party ("Defaulting Party") upon the occurrence of any one or more of the following:

- (i) if any Party fails to make any payment when due hereunder five (5) Business Days after receipt of notice given by NCPA of such non-payment; or
- (ii) if any Party fails to perform any other covenant or obligation under this Amended Agreement where such failure is not cured within ten (10) days following receipt of a notice from NCPA demanding cure (provided that this shall not apply to any failure to make payments (which is covered by Section 9.1 (i))); or
- (iii) if any representation or warranty of any Party material to the transactions contemplated hereby shall prove to have been false or misleading in any material respect when made and that Party does not cure the facts underlying such incorrect representation or warranty so that the representation or warranty is corrected, to the satisfaction to the other Participants, within ten (10) days of the date of receipt of notice from any other Party demanding cure; or
- (iv) if any Party is in default or in breach of any of its covenants under any other agreement with NCPA and such default or breach is not cured within the time periods specified in such agreement; or
- (v) the failure of NCPA to perform any covenant or obligation under this Amended Agreement following a ten (10) day notice to cure by any non-defaulting Participant.

9.2 Cure of an Event of Default.

An Event of Default shall be deemed cured only if such default shall be remedied within the time period specified in Section 9.1, above, as may be applicable after written notice has been sent to the Defaulting Party from NCPA specifying the default and demanding that the same be remedied provided that failure of a Party to provide such notice shall not be deemed a waiver of such

default. If such default is not reasonably capable of cure within the applicable time period specified herein, then the default shall not be deemed an Event of Default if the Defaulting Party commences to remedy the default within the applicable time period specified herein and thereafter diligently pursues such remedy until such default is fully cured; provided, however, that in no event shall any Party be entitled to longer than thirty (30) days to cure an Event of Default with respect to any payment obligation under this Amended Agreement after receipt of written notice thereof.

9.3 Participation Rights of Defaulting Party.

Notwithstanding anything herein to the contrary, upon the occurrence of an Event of Default and until such Event of Default is cured, the Participant that is the Defaulting Party shall not have the right to participate under Section 6.2 on any matter with respect to this Amended Agreement.

9.4 Remedies in the Event of Default.

9.4.1. Remedies of NCPA. Upon the occurrence of an Event of Default where a Participant is the Defaulting Party, without limiting its other rights or remedies available under this Amended Agreement, at law or in equity, and without constituting or resulting in a waiver, release or estoppel of any right, action or cause of action NCPA may have against the Participant, NCPA may:

- (i) suspend the provision of services under this Amended Agreement to such Defaulting Party, including the delivery of electricity and other

attributes of any NGPP Resources until the Event of Default is cured;

- (ii) demand that the Defaulting Party provide further assurances that it is ready, willing and able to meet its obligations under this Amended Agreement; and
- (iii) terminate this Amended Agreement as to the Defaulting Party on ten (10) days prior written notice to the Defaulting Party and following approval of the non-defaulting Participants; and
- (iv) Subject to limitations as otherwise referenced in this Amended Agreement, NCPA shall have the right to pursue all remedies under law or in equity against any Defaulting Participant in curing or mitigating such default. Any Defaulting Party shall remain liable under this Amended Agreement for any damages resulting from such default including damages resulting from subsequent purchases as authorized by this Amended Agreement.

9.4.2 Sale/Transfer of Participants Account Upon Default.

Upon any default of a Participant caused by the failure of such Participant to pay any sums due, and provided that such default is not cured in a timely manner, then NCPA shall use its best efforts to sell and transfer for the defaulting Participant's account all or a portion of the Participant's capacity and/or energy and/or Environmental Attributes for the remainder of the term of this Amended Agreement. The price to be paid to NCPA by the Non-Defaulting Participants for the Defaulting Participant's capacity, energy, or environmental attributes shall be at cost as opposed to market price. The Defaulting party shall receive no compensation from such sale. Notwithstanding that all or any portion of the Participant's capacity, energy or environmental attributes is sold or transferred,

the Participant shall remain liable for all of its obligations hereunder unless released therefrom by NCPA and the transferee upon assumption by the transferee. To the extent that any portion of the defaulting Participant's capacity and/or energy is unable to be sold by NCPA, then the Participation Percentages of each non-defaulting Participant shall be automatically increased for the remaining term of this Amended Agreement pro-rata with those of the other non-defaulting Participants and the defaulting Participant's Participation Percentage be reduced accordingly, but only for the purpose of computing the Percentages of the non-defaulting Participants. The sum of any increases of a non-defaulting Participant's Participation Percentage shall not exceed twenty-five (25) percent of the non-defaulting Participant's original Participation Percentage on an accumulated basis without the written consent of such non-defaulting Participant.

9.4.3 Remedies of Participants. Upon the occurrence of an Event of Default, and following the applicable cure periods, where NCPA is the Defaulting Party, the Participants may, without limiting their other rights or remedies available under this Amended Agreement, at law or in equity, and without constituting or resulting in a waiver, release or estoppel of any right, action or cause of action the Participants may have against NCPA, terminate this Amended Agreement in whole, subject to the provisions of Section 9.5.4.

9.4.4 Special Covenants Regarding Security Account. In the event that a Participant's balance in the Security Account is insufficient to cover all invoices for NGPP Project Costs sent to such Participant, then, without limiting NCPA's other rights or remedies available under this Amended Agreement, at law or inequity, such Participant shall cooperate in good faith with NCPA and shall cure the default as rapidly as possible, on an emergency basis, taking all such action as is necessary, including, but not limited to, raising rates and charges to its customers to increase its Revenues to replenish its share of the Security Account as provided herein, drawing on its cash-on-hand and lines of credit, obtaining further assurances by way of credit support and letters of credit, and taking all such other action as will cure the default quickly and without delay.

9.5 Effect of Termination or Suspension.

9.5.1 Generally. The suspension or termination of this Amended Agreement will not terminate, waive, or otherwise discharge any ongoing or undischarged liabilities, contingent liabilities or obligations arising from this Amended Agreement until such obligations are satisfied in full, and all of the costs incurred by NCPA in connection with such suspension or termination, including reasonable attorney fees, the fees and expenses of other experts, including auditors and accountants, other costs and expenses that NCPA

is entitled to recover under this Amended Agreement, and other reasonable and necessary costs associated with any and all of the remedies, are paid in full.

9.5.2 Suspension by NCPA. If performance of all or any portion of this Amended Agreement is suspended by NCPA with respect to a Participant in accordance with Section 9.4.1 (i), such Participant shall pay any and all costs incurred by NCPA as a result of such suspension including reasonable attorney fees, the fees and expenses of other experts, including auditors and accountants, other reasonable and necessary costs associated with such suspension and any portion of the NGPP Project Costs that were not recovered from such Participant as a result of such suspension.

9.5.3 Termination by NCPA. If this Amended Agreement is terminated by NCPA with respect to a Participant in accordance with Section 9.4.1 (iii), (i) such Participant shall pay any and all costs incurred by NCPA as a result of such termination including reasonable attorney fees, the fees and expenses of other experts, including auditors and accountants, other reasonable and necessary costs associated with such suspension and any portion of the NGPP Project Costs that were not, or will not be, recovered from such Participant as a result of such termination, and (ii) such Participant's Participation Percentage shall be allocated among the remaining Participants in like manner as defined in Section 9.4.2; provided however, if NCPA terminates this Amended

Agreement with respect to the last remaining Participant, then this Amended Agreement shall terminate.

9.5.4 Termination by Participants. If this Amended Agreement is terminated by all Participants in accordance with Section 9.4.3, or by unanimous consent of all of the Parties hereto, then the Participants shall pay to NCPA all previously unpaid NGPP Project Costs incurred as of the date of such termination, and following such termination, the Participants shall cooperate and act in good faith to negotiate and agree upon the method of allocating among the Participants in proportion to their respective Participation Percentages the costs and benefits of the NGPP Resources, all PPAs then in effect, and any financing agreements or commitments and any matters pertaining to the administration, management, control, operation and maintenance of the NGPP Resources. NCPA shall reasonably cooperate with the Participants in connection with implementing the foregoing and the Participants shall indemnify NCPA for any costs incurred in connection therewith, including reasonable attorney fees, fees and expenses of other experts, including auditors and accountants and other reasonable and necessary costs. If the Parties are unable to reach agreement as to the foregoing, then the Parties agree to submit the matter to mediation with a mutually agreed upon mediator. If the Parties are still unable to reach agreement following mediation, then the matter shall be submitted to binding arbitration subject to the rules of the American Arbitration Association, the costs of such

arbitration, including NCPA's costs, being borne in proportion among the Participants according to their Participation Percentages.

Section 10. Miscellaneous.

10.1 Confidentiality.

The Participants and NCPA will keep confidential all confidential or trade secret information made available to them in connection with this Amended Agreement, to the extent possible, consistent with applicable laws, including the California Public Records Act and the California Constitution. It shall be the responsibility of the holder of the claim of confidentiality or trade secret to defend at its expense against any request that such information be disclosed. Confidential or trade secret information shall be marked or expressly identified as such.

10.2 Indemnification and Hold Harmless.

Subject to the provisions of Section 10.4, each Participant agrees to indemnify, defend and hold harmless NCPA and its Members, including their respective entities governing officials, officers, agents, and employees, from and against any and all claims, suits, losses, costs, damages, expenses and liability of any kind or nature, including reasonable attorneys' fees and the costs of litigation, including experts ("Claims"), to the extent caused by any acts, omissions, breach of contract, negligence (active or passive), gross negligence, recklessness, or willful

misconduct of a Participant, its governing officials, officers, employees, subcontractors or agents, to the maximum extent permitted by law.

10.3 Several Liabilities.

No Participant shall be liable under this Amended Agreement for the obligations of any other Participant, and each Participant shall be solely responsible and liable for performance of its obligations under this Amended Agreement, except as otherwise provided for herein, and the obligation of each Participant under this Amended Agreement is a several obligation and not a joint obligation with those of the other Participants.

10.4 No Consequential Damages.

FOR ANY BREACH OF ANY PROVISION OF THIS AMENDED AGREEMENT FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED IN THIS AMENDED AGREEMENT, THE LIABILITY OF THE DEFAULTING PARTY SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION, AND ALL OTHER DAMAGES OR REMEDIES ARE HEREBY WAIVED. IF NO REMEDY OR MEASURE OF DAMAGE IS EXPRESSLY PROVIDED, THE LIABILITY OF THE DEFAULTING PARTY SHALL BE LIMITED TO ACTUAL DAMAGES ONLY AND ALL OTHER DAMAGES AND REMEDIES ARE HEREBY WAIVED. IN NO EVENT SHALL NCPA OR ANY PARTICIPANT OR THEIR RESPECTIVE SUCCESSORS, ASSIGNS, REPRESENTATIVES, DIRECTORS, OFFICERS, AGENTS, OR EMPLOYEES BE

LIABLE FOR ANY LOST PROFITS, CONSEQUENTIAL, SPECIAL, EXEMPLARY, INDIRECT, PUNITIVE OR INCIDENTAL LOSSES OR DAMAGES, INCLUDING LOSS OF USE, LOSS OF GOODWILL, LOST REVENUES, LOSS OF PROFIT OR LOSS OF CONTRACTS EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, AND NCPA AND EACH PARTICIPANT EACH HEREBY RELEASES EACH OTHER AND EACH OF SUCH PERSONS FROM ANY SUCH LIABILITY.

10.5 Amendments.

Except where this Amended Agreement specifically provides otherwise, this Amended Agreement may be amended only by a written instrument executed by the Parties with the same formality as this Amended Agreement. Notwithstanding the above, the Parties hereby agree that the Participants, through their respective NCPA Commission representatives, have the discretion to modify the provisions of the following Exhibits pursuant to Section 6.2: A (Participation Percentages and Resource Allocation Percentages), C (Approved Resource Schedules), and G (Form of Power Purchase Agreement). The Parties further agree that the NCPA General Manager has the discretion to modify the provisions of Exhibits B (Form of Resource Schedule) and F (Form of Request for Proposals).

10.6 Severability.

In the event that any of the terms, covenants or conditions of this Amended Agreement or the application of any such term, covenant or condition, shall be held invalid as to any person or circumstance by any court having jurisdiction, all other terms, covenants or conditions of this Amended Agreement and their application shall not be affected thereby, but shall remain in force and effect unless the court holds that such provisions are not severable from all other provisions of this Amended Agreement.

10.7 Governing Law.

This Amended Agreement shall be interpreted, governed by, and construed under the laws of the State of California.

10.8 Headings.

All indices, titles, subject headings, section titles and similar items are provided for the purpose of convenience and are not intended to be inclusive, definitive, or affect the meaning of the contents of this Amended Agreement or the scope thereof.

10.9 Notices.

Any notice, demand or request required or authorized by this Amended Agreement to be given to any Party shall be in writing, and shall either be personally delivered to the Participant Representative and the secretary of the Commission or transmitted to the Participant and the secretary at the address

shown on the signature pages hereof. The designation of such address may be changed at any time by written notice given to the secretary of the Commission who shall thereupon give written notice of such change to each Participant. Any notices required hereunder shall also be delivered to Participant's Commissioner.

10.10 Warranty of Authority.

Each Participant, and NCPA, represents and warrants that it has been duly authorized by all requisite approval and action to execute and deliver this Amended Agreement and that this Amended Agreement is a binding, legal, and valid agreement enforceable in accordance with its terms as to the Participant and as to NCPA. Upon the execution of this Amended Agreement, each Participant shall deliver to NCPA evidence of such Participant's authority to enter into this Amended Agreement and that such authority was exercised in accordance with such Participant's Constitutive Documents.

10.11 Counterparts.

This Amended Agreement may be executed in any number of counterparts, and each executed counterpart shall have the same force and effect as an original instrument and as if all the signatories to all of the counterparts had signed the same instrument. Any signature page of this Amended Agreement may be detached from any counterpart of this Amended Agreement without impairing the legal effect of any signatures thereon, and may be attached to another

counterpart of this Amended Agreement identical in form hereto but having attached to it one or more signature pages.

10.12 Assignment.

Except as provided by Section 7, no Participant may assign or otherwise transfer all or any portion of its Participation Percentage or any other rights and obligations under this Amended Agreement without the express written consent of NCPA.

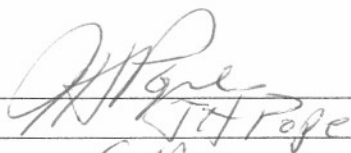
10.13 List of Exhibits. As of the Effective Date of this Amended Agreement, all prior Agreements, including all Exhibits referenced in the December 14, 2006 NGPP Third Phase Agreement, are superseded. The new Exhibits are attached hereto and incorporated herein, and are denoted as follows:

- Exhibit A - Participation Percentages and Resource Acquisition Percentages
- Exhibit B - Form of Resource Schedule
- Exhibit C - Approved Resource Schedules
- Exhibit D - Intentionally Omitted
- Exhibit E - Intentionally Omitted
- Exhibit F - Form of Request for Proposals
- Exhibit G - Form of Power Purchase Agreement

IN WITNESS WHEREOF, each Participant has executed this Amended Agreement with the approval of its governing body, and NCPA has authorized this Amended Agreement in accordance with the authorization of its Commission.


NORTHERN CALIFORNIA POWER AGENCY
180 Cirby Way
Roseville, CA 95678
916-781-3636
916-783-7693 fax

BAY AREA RAPID TRANSIT DISTRICT
PO Box 12688
Oakland, CA 94604-2688
510-464-6435
510-464-6118 fax

By: 
Its: GM

By: _____
Its: _____

Approved as to form:

By: 
Its: Attorney

Approved as to form:

By: _____
Its: Attorney

CITY OF HEALDSBURG
401 Grove Street
Healdsburg, CA 95448
707-431-3317
707-431-3321 fax

By: _____
Its: _____

Approved as to form:

By: _____
Its: Attorney

CITY OF LOMPOC
PO Box 8001
Lompoc, CA 93438-8001
805-736-1261
805-736-5347 fax

By: _____
Its: _____

Approved as to form:

By: _____
Its: Attorney

CITY OF PALO ALTO
PO Box 10250
Palo Alto, CA 94303-0862
650-329-2273
650-321-0651 fax

By: _____
Its: _____

Approved as to form:

By: _____
Its: Attorney

PLUMAS SIERRA REC
73233 State Hwy 70
Portola, CA 96122-7069
530-832-4261
530-832-6070 fax

By: _____
Its: _____

Approved as to form:

By: _____
Its: Attorney

CITY OF SANTA CLARA
1500 Warburton Avenue
Santa Clara, CA 95050
408-615-2250
408-241-6771 fax

By: _____
Its: _____

Approved as to form:

By: _____
Its: Attorney

CITY OF UKIAH
300 Seminary Avenue
Ukiah, CA 95482
707-463-6200
707-463-6204 fax

By: _____
Its: _____

Approved as to form:

By: _____
Its: Attorney

CITY OF LODI
221 West Pine St.
Lodi, CA 95240
209-333-6702
209-333-6807 fax

By: Blair King
Its: City Manager

Approved as to form:

By: D. Stephen Schwabauer
Its: Attorney

Attest:

Randi Johl, City Clerk

#103338v1

Exhibit A
Project Participation Percentages
And
Resource Allocation Percentages

Participant	Participant Election (aMW)*	Participation Percentage
Alameda	-	-
BART	7.0	10.9375%
Biggs	-	-
Gridley	-	-
Healdsburg	2.0	3.1250%
Lassen	-	-
Lodi	5.0	7.8125%
Lompoc	5.0	7.8125%
Palo Alto	15.0	23.4375%
Plumas	2.0	3.1250%
Port of Oakland	-	-
Redding	-	-
Roseville	-	-
SVP	25.0	39.0625%
TID	-	-
Truckee Donner	-	-
Ukiah	3.0	4.6875%
Total Annual aMW	64.0	100.0000%

* aMW = Capacity in Average MW

Exhibit A-1

Resource Allocation Percentage Table

Exhibit B
Form of Resource Schedule

Name :

Location :

Fuel / Technology :

Size :

Type of Procurement :

Estimated Costs :

Key Milestone Dates (such as commercial operation date and delivery period):

Definitive Agreement(s) :

Proposed Budget :

Proposed Mechanism for Financing the Procurement :

Other Notes and Underlying assumptions :

Exhibit C
Approved Resource Schedules

The Resource Schedule submitted in connection with opting out of or approving a Proposed Resource under Section 3 will be added to this Exhibit following approval of such Proposed Resource in accordance with Sections 3.2 and 3.4 respectively.

Exhibit D
Intentionally Omitted

Exhibit E
Intentionally Omitted

Exhibit F
Pro Forma Request for Proposals



REQUEST for PROPOSALS

For

RENEWABLE ELECTRIC POWER SUPPLY PROPOSALS

RFP Issue Date: _____
Response Deadline: _____ 5:00pm Pacific Prevailing Time
(PPT)

Section 1. PURPOSE AND SCOPE

The Northern California Power Agency (NCPA) is accepting proposals for Eligible Renewable Resources and Landfill Gas supplies to meet the expected long-term electric power needs of its Members.

This RFP is limited to those parties who currently have rights in, own, or propose to develop, an Eligible Renewable Resource electric generating facility(ies) or, own and operate landfill facilities.

NCPA may procure power supply resources or landfill gas supplies from those Respondents whose proposals, in NCPA's sole judgment, represent the greatest value to the NCPA Members when compared with other options available to NCPA. The issuance of this Request For Proposals (RFP) does not constitute a commitment by NCPA or its Members to purchase such resources from any source. NCPA reserves the

AMENDED THIRD PHASE AGREEMENT - NCPA GREEN POWER POOL

right to revise, suspend or terminate this RFP and any schedule related thereto at its sole discretion without liability to any Respondent.

Section 2. DESCRIPTION OF NCPA

NCPA is a nonprofit California joint powers agency established in 1968. Its **Members are:** the cities of Alameda, Bay Area Rapid Transit District, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara, Ukiah, the Port of Oakland, the Truckee Donner Public Utility District, and the Turlock Irrigation District; and two **Associate Members:** Placer County Water Agency, and the Plumas-Sierra Rural Electric Cooperative. These Members serve nearly 700,000 electric consumers in Central and Northern California. Attachment 5 displays the locations of each NCPA Member and jointly owned resources.

As a CAISO Schedule Coordinator, NCPA makes arrangements for physical power deliveries to its Members through the CAISO Grid. In addition, NCPA's members hold additional transmission-related rights through other pre-existing contracts.

In Fiscal Year 2004-05, NCPA Members met peak demands of 1960 megawatts (MW) and supplied 9400 gigawatt-hours (GWh) of energy. To meet these loads, NCPA Members own and operate geothermal generation located in the Geysers region of California, multiple hydroelectric facilities, gas fired combustion turbines (CTs) located in five Members' service areas, miscellaneous small projects, numerous existing power supply contracts (including renewable sources such as wind and landfill gas purchased via NCPA's 2003 Renewable Electric Power Supply RFP) and Western Area Power Administration (Western) contracts for capacity and associated energy.

Those Members participating in this RFP have the exclusive authority to set retail rates sufficient to cover power purchase obligations, with the exception of BART, which has tariffs, fees or other sources of revenue except as such may be limited by law. Power purchase contracts between NCPA and third parties are not subject to prudence review by state regulatory agencies and may be enforced according to their terms, in accordance with California law. The California Public Utilities Commission lacks jurisdiction over the power purchase contracts of such NCPA Members. Contracts to be executed as a result of this RFP are intended as binding legal agreements enforceable in the California courts.

With the exception of BART, each NCPA Member, participating in this RFP, operates its own electric system as an enterprise and special fund and such members are obligated to establish and collect fees and charges for electricity furnished through its electric system sufficient to pay any and all amounts payable from electric system revenues, which include amounts of capacity or energy, or both, furnished pursuant to an agreement entered into as a result of this RFP. BART shall generate revenues sufficient to cover its obligations under an agreement through tariffs, fees or other sources of revenue except

through such sources which may be limited by law. Fees and charges for electricity furnished through each NCPA Member's electric system are not considered taxes and are thus not subject to California tax and voter approved provisions such as Propositions 13, 62, and 218.

Section 3. DESCRIPTION OF REQUEST

A) Electric Power Supply

NCPA will accept long-term contract or equity position proposals for renewable electric power supply resources which include, but may not be limited to: biomass, biodiesel, fuel cells using renewable fuels, digester gas, geothermal, landfill gas, municipal solid waste, ocean wave, ocean thermal, tidal current, waste tire, waste gasification (various fuels), solar (thermal), solar (photovoltaic), wind, or small hydro(30MW or less) which are (a) located within California, (b) are located outside of California and have their first point of interconnection with the Western Electricity Coordinating Council transmission system located within California or (c) are located outside of California but deliver electricity to a substation or node within California.

Respondents may submit proposals that specify an energy source other than one of those listed above. Any Respondent, who chooses to propose an energy source not on the above list, must provide adequate documentation in its proposal which identifies the fuel source as Eligible Renewable. After verification of the proposal as an Eligible Renewable Resource project, NCPA, in its sole discretion, will make a determination as to the suitability of the proposal for this RFP process.

NCPA will not accept proposals for renewable resources that are separated from their Renewable Energy Credits/Attributes (REC) and offered only as an energy transaction. Additionally, this RFP is limited to generating facilities that have an installed capacity as follows:

- a) PV Solar facilities directly connected to the distribution system of a participating NCPA Member: 10kW or larger,
- b) Other facilities directly connected to the distribution system of a participating NCPA Member: 100kW or larger,
- c) All other facilities: 1MW or larger.

Depending on the value and type of proposals received, NCPA could accept, from one or more proposals, up to a total of 79aMW. [Average MW(aMW) - For example, 100MW of installed wind capacity at 32% annual capacity factor would be equivalent to 32aMW.]

B) Power Purchase Agreement (PPA) for Electric Power Supply

NCPA has prepared a pro-forma PPA (Attachment 4) for the purchase of renewable energy and associated environmental attributes. The PPA and associated Addenda contemplate the transfer of both renewable energy and RECs. Any proposal made for the sale of both renewable energy and associated RECs must be made by the Respondent with the assumption that the pro-forma will be the basis for any definitive agreements between the Respondent and NCPA.

Capitalized terms used in this RFP and not otherwise defined have the meanings given to them in the PPA. Respondents should review the pro-forma PPA to have a full understanding of this RFP.

Any executed agreement for the purchase of Eligible Renewable Resource energy will be presented to the NCPA Commission and will be subject to the approval of the Commission and any other applicable authorities that have jurisdiction over any or all of the subject matter.

NCPA reserves the right to update, modify, or revise any or all of the terms and conditions contained in the pro-forma PPA and associated addenda.

C) Landfill Gas

NCPA will also accept long-term contract proposals for the use of landfill gas supplies to be transferred to NCPA at the point of delivery for use as fuel for the generation of electric power. Such generation will be produced by an NCPA owned, built, and operated electric generation plant.

Section 4. SECURITY

NCPA will not post security, collateral, or other assurances for credit purposes for any reason whatsoever prior to or during the term of any agreement arising from this RFP.

Proposals that include or are contingent on NCPA providing security, collateral, or other assurances will be deemed non-responsive and will not be considered.

Section 5. PROPOSAL SUBMITTAL

All responses, questions and communications shall be submitted to the following email address, _____, using the appropriate Stage 1 Proposal Questionnaire

You may also direct questions to:

Dana W. Griffith
Power Coordination and Planning Engineer
Tel: 916-781-3636
Fax: 916-783-7693

The following table summarizes the attachments to be provided to NCPA by Proposers:

Forms to be filled out by:		Attachment	Description
Electric Generation	Landfill Owners		
X		1a	Electric Generation Proposal
X		1b	Electric Generation Proposal Data Summary
	X	2a	Landfill Gas Proposal
	X	2b	Landfill Gas Proposal Data Summary
X	X	3a	Electric Generation Proposer - Waiver and Acknowledgement
	X	3b	Landfill Gas Proposer - Waiver and Acknowledgement
		4	PPA for Electric Generation
		5	NCPA Member and Project Map

NCPA, in its sole discretion, may reject any late or non-responsive proposal.

NCPA must receive all proposals with the appropriate attachments by electronic e-mail no later than 5:00 p.m. (PPT) on _____.

A hard copy of the proposal is not required; however, Respondents may also send a hard copy of the proposal and/or other supporting documents to NCPA no later than 5:00 p.m. (PPT) _____.

Each proposal package submitted in response to this RFP shall contain only one proposal. Respondents may submit more than one proposal in separate proposal packages.

Proposals, including proposed prices, will remain binding on the Respondent through the date of completion of negotiations and the NCPA Commission approval process (120 days). A duly authorized officer of the Respondent must sign the proposal.

None of the material received by NCPA from the Respondent in response to this RFP will be returned to Respondent. All materials and proposals submitted by the Respondent will become the property of NCPA and may be used by NCPA for the purpose of evaluating proposals, executing any agreements, regulatory hearings, and administering any resulting definitive agreements.

All responses that may arise from this RFP are considered commitments for use in developing the agreement between NCPA and the Respondent.

Any and all proposals in respect of a landfill gas-fired electricity generating facility or landfill gas supply shall include, as the first page of the proposal, an executed Attachment 3a or Attachment 3b, whichever is applicable.

Section 6. EVALUATION PROCESS

The RFP evaluation process will be completed in two stages. The first stage includes the submission of the Stage 1 Proposal Questionnaire (Attachments 1, 2 and 3), an initial screening by NCPA, and a preliminary evaluation by NCPA.

NCPA will perform an initial screening to identify and eliminate any proposal that is non-responsive to the RFP, does not meet the minimum requirements set forth in the RFP, is clearly not economically competitive with other proposals, or is submitted by a Respondent that lacks appropriate creditworthiness, sufficient financial resources, or qualifications to provide dependable and reliable service.

NCPA will then perform a preliminary evaluation of the remaining proposals and rank their value relative to other proposals as well as all other available options.

NCPA expects the initial screening and proposal evaluation process will take approximately six weeks after the date of closing for submission of complete proposals; however, the timeline will depend on the number and complexity of proposals received. After the initial screening and evaluation process, NCPA will notify each Respondent of its status. Respondents will be notified whether their proposal is on the "Short List", "Secondary List", or listed as "Not Considered at this Time".

The Stage 2 process may include presentations to NCPA and the participating NCPA Members, verification of certain key Proposal data, and reviews of other issues as needed. Any Respondent who is notified that its proposal meets the Stage 1 criteria and is advanced to the "Short List" will be advised of the due date for any additional Stage 2 questions.

NCPA may request that Respondents complete supplemental questionnaires and/or meet for oral interviews at any stage of the RFP process. Respondents failing to provide information, deemed necessary by NCPA to adequately review a proposal, may be eliminated from further consideration at any stage or time during the RFP process.

Section 7. EVALUATION CRITERIA

NCPA will, in its sole discretion, evaluate responsive proposals to determine which proposals are likely to provide the greatest overall value to its Member utilities. All proposals will be evaluated based on factors that include, but are not limited to: proposal term, technology, energy source, location, delivery point, status, timeline, joint action partners, environmental benefits as well as Respondent's experience, public credit rating,

financial stability, extent of off-balance sheet financing, product price and terms, delivery, service levels, and other relevant criteria.

In addition, depending on the project being proposed, proximity to load may have value to certain NCPA Members. Those Members may be interested in being a host or assisting in direct connection to their distribution grid.

Evaluations will be based on information provided during the two-stage RFP process, possible oral interviews with the Respondent, mail or email requests, information already known by NCPA, and other publicly available information.

All determinations made by NCPA with respect to any Respondent or its proposal, including the determinations described in this RFP, shall be made by NCPA in its sole discretion and without liability. No debriefings will be provided as these determinations will be final and are not subject to review.

Section 8. GENERAL PROVISIONS

If the Respondent so specifies and clearly identifies portions of its proposal as “PROPRIETARY AND CONFIDENTIAL”, NCPA will make reasonable efforts to treat the marked portions as confidential information. Such information may, however, be made available under applicable State or Federal law. NCPA also reserves the right to release such information to its agents, contractors, or Member utilities for the purpose of evaluating a Respondent’s proposal. Such agents, contractors and Member utilities will be required to observe the same care with respect to disclosure as NCPA. Under no circumstances will NCPA, its Commission, managers, agents, contractors or Member utilities, be liable for any damages resulting from any disclosure of Respondent’s claimed confidential information during or after this RFP process.

Although NCPA is interested in meeting its needs by acquiring resources that provide the greatest value to its Members, evaluation of a proposal does not constitute a commitment by NCPA to purchase energy and/or capacity from any source. NCPA Members and NCPA are not obligated in any way to proceed with this RFP or consider or enter into any agreement or undertake any liability to any Respondent in connection with this RFP and any and all proposals, whether qualified or not, may be rejected without any liability whatsoever to any Respondent on the part of NCPA or any NCPA Member.

NCPA shall not be responsible for any costs incurred by Respondent to prepare, submit, negotiate, contract, or participate in this RFP process.

Those Respondents who submit proposals agree to do so without legal recourse against NCPA, its Commission, managers, agents, contractors or Member utilities for rejection of their proposal(s) or for failure to execute an agreement for any reason. NCPA shall not be liable to any Respondent or party at law or in equity for any reason whatsoever for any acts or omissions arising out of or in connection with this RFP. By submitting its

proposal, each Respondent waives any right to challenge any valuation by NCPA of any proposal of any Respondent or any determination of NCPA to select or reject any proposal of any Respondent or take any action contemplated by this RFP, including any right of a Respondent to intervene in any governing body proceeding for the purpose of protesting the selection or rejection of any proposal, any other decision of NCPA contemplated by this RFP or any resulting agreement related to a selected proposal. Each Respondent, in submitting its proposal, irrevocably agrees and acknowledges that it is making its proposal subject to and in agreement with the terms of this RFP and agrees that NCPA shall be entitled to specific performance of its rights hereunder and injunctive relief.

Exhibit G
Pro Forma Power Purchase Agreement (PPA)

2008 PRO FORMA

RENEWABLE ENERGY POWER PURCHASE AGREEMENT

between

NORTHERN CALIFORNIA POWER AGENCY

and

[SELLER'S NAME]

[DATE]

RENEWABLE ENERGY POWER PURCHASE AGREEMENT

This Renewable Energy Power Purchase Agreement, together with the exhibits, attachments, and any referenced collateral agreement or similar arrangement between the Parties (collectively, the “Agreement”) is made and effective as of the following date: *[Insert Date]* (“Effective Date”) by and between the Northern California Power Agency, a joint powers agency established pursuant to the laws of the State of California (“Buyer” or “NCPA”), and *[Insert Seller’s Name]*, a *[Insert Seller’s business registration and location thereof]* (“Seller”).

WHEREAS, Seller intends to construct, own, and operate a *[Insert resource capacity]* MW *[Insert resource type]*-powered generating facility, which qualifies as of the Effective Date as an eligible renewable energy resource (“ERR”) under the State of California Renewable Portfolio Standard Program (“RPS”), as codified at California Public Utilities Code Section 399.11, *et seq.*³ and desires to sell electricity produced by such generating facility together with all Environmental Attributes and Capacity Attributes, each as defined below, to Buyer pursuant to the terms and conditions set forth herein; and

WHEREAS, Buyer desires to purchase electricity generated by Seller’s generating facility, together with all Environmental Attributes and Capacity Attributes pursuant to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises hereof, and the covenants and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Buyer and Seller, intending to be legally bound, hereby agree as follows.

AGREEMENT

ARTICLE 1: DEFINITIONS

Unless otherwise required by the context in which any term appears, (i) initially-capitalized terms used in this Agreement shall have the meanings specified in this Article; (ii) terms defined in the singular shall include the plural and vice versa; (iii) references to “Articles,” “Sections,” and “Exhibits” shall be to articles, sections, or exhibits hereof; (iv) all references to a particular entity shall include a reference to such entity’s successors and permitted assigns; (v) the words “herein,” “hereof,” and “hereunder” shall refer to this Agreement as a whole and not to any particular section or subsection hereof; (vi) all accounting terms not specifically defined herein shall be construed in accordance with GAAP, consistently applied; (vii) references to this Agreement shall include a reference to all appendices and Exhibits hereto, as the same may be amended, modified, supplemented, or replaced from time to time; (viii) terms used in the masculine shall include the feminine and neuter and vice versa; and (ix) the term “including,” when used in this Agreement, shall mean to include without limitation.

- 1.1 “Adjustment Period” means (i) the actual period when inaccurate measurements were made by a defective Meter, if that period can be determined to the mutual satisfaction of the Parties, or (ii) if the actual period cannot be determined to the mutual satisfaction of the Parties, one-half the period from the date of the last previous test of the Meter to the date such failure is discovered.
- 1.2 “Agreement” has the meaning set forth in the preamble of this Agreement.
- 1.3 “Available Hours” means the number of hours during the Peak Months or Non-Peak Months, as applicable, of each Contract Year in which the Generating Facility is capable of delivering Energy to the Delivery Point; provided that, to the extent that the Generating Facility is not capable of delivering all of the Contract Capacity in any hour, the Available Hours with respect to such hour shall be reduced *pro rata* to reflect the fraction of the Contract Capacity that the Generating Facility is capable of delivering in such hour.
- 1.4 “Availability” means the ability of the Generating Facility to produce and of Seller to deliver Output at a level at least equal to the Contract Capacity, assuming adequate [*Insert resource type*] resource. Availability shall be determined as a percentage for the Peak Months and Non-Peak Months of each Contract Year in accordance with the following formula:

$$\text{Availability} = 100 \times \frac{\text{Available Hours}}{\text{Base Hours}}$$

1.5 “Availability Shortfall Damages” means an amount equal to the following formula:

$$\text{Availability Shortfall Damages} = (A) \times (B) \times (C) \times (D)$$

where:

- (A) equals the positive difference between the required Availability in any period and the actual Availability in such period, expressed as a decimal;
- (B) equals the prevailing Contract Price;
- (C) equals the quotient of the number of months in the relevant period divided by twelve (12); and
- (D) equals the Expected Annual Contract Quantity.

1.6 “Base Hours” means the number of hours during the Peak Months or Non-Peak Months, as applicable, of each Contract Year; provided that, to the extent that the Generating Facility is partially or wholly incapable or otherwise unable to deliver Energy in any hour as a result of a Force Majeure Event that hour (or if the Generating Facility’s capacity is only partially constrained, the *pro rata* portion of that hour) shall be excluded from the Base Hours.

1.7 “Business Day” means any day except a Saturday, Sunday, or a Federal Reserve Bank holiday. A Business Day shall begin at 8:00 a.m. and end at 5:00 p.m. local time for the relevant Party’s principal place of business. The relevant Party, in each instance unless otherwise specified, shall be the Party from whom the notice, payment or delivery is being sent, or by whom the notice, payment or delivery is received, as the context requires.

1.8 “Buyer” has the meaning set forth in the preamble of this Agreement.

1.9 “Buyout Payment” means the amount set forth in Exhibit 1 [Buyout Payment Form].

1.10 “Capacity Attributes” means any and all current or future defined characteristics, certificates, tags, credits, ancillary service attributes, or accounting constructs, howsoever entitled, including Resource Adequacy Benefits, and any tracking or accounting associated with the foregoing, attributed to or associated with the electricity generating capacity of the Generating Facility, or any unit of electricity generating capacity of the Generating Facility, during the Term.

1.11 “Commercial Operation” means that: (i) the Generating Facility has been constructed in accordance with Good Utility Practice, all Permits, Requirements of Law, and the specifications set forth in Exhibit 2 [Description of Generating Facility]; (ii) all of the requirements set forth in Article 7 have been satisfied; and (iii) Seller has successfully completed the Commercial Operation Performance Tests.

1.12 “Commercial Operation Date” means the date on which Commercial Operation first occurs.

- 1.13 “Commercial Operation Performance Tests” means the tests set forth in Exhibit 3 [Commercial Operation Performance Tests].
- 1.14 “Confidential Information” means information in respect of the business of either Party provided by one Party to the other in accordance with, or in furtherance of, this Agreement including this Agreement, the content of documents, ideas, business methods, finances, prices, business plans, financial development plans, manpower plans, customer lists or details, computer systems, software, know-how, trade secrets or other matters connected with such Party’s obligations hereunder; provided, however, that “Confidential Information” shall not include information that (i) at the time of disclosure or thereafter is generally available to, or known by, the public other than as a result of a disclosure by the receiving Party or its representatives; (ii) was available to the receiving Party on a non-confidential basis from a source other than the disclosing Party; or (iii) was otherwise independently acquired or developed by the receiving Party without violating its obligations hereunder.
- 1.15 “Contract Capacity” means the installed electricity generating capacity of the Generating Facility, net of all on-site and other uses permitted under this Agreement and of all line or transformation losses to the Delivery Point, which shall be *[Insert Capacity]* MW.
- 1.16 “Contract Price” means the price in \$U.S. (unless otherwise provided for) to be paid by Buyer to Seller for the purchase of the Output, as specified in Exhibit 4 [Contract Price].
- 1.17 “Contractual Obligations” means, as to Seller, any material agreement, instrument or undertaking to which Seller is a party or by which it or any of its property is bound.
- 1.18 “Contract Year” means each year beginning on January 1st and ending on December 31st of such year following the Commercial Operation Date; provided, however, that the first Contract Year shall commence on the Commercial Operation Date and end on the following December 31st, and the last Contract Year shall end on the relevant anniversary of the Commercial Operation Date as set forth in Section 2.1.
- 1.19 “Control Area” means the electric power system (or combination of electric power systems) under the operational control of the ISO or any other electric power system under the operational control of another organization vested with authority comparable to that of the ISO.
- 1.20 “Credit Support Amount” means the amount determined in accordance with Exhibit 5 [Credit Support Amount].
- 1.21 “Damages” has the meaning set forth in Section 9.4.
- 1.22 “Delay Liquidated Damages” means an amount equal to \$ *[Insert Price]* per day.
- 1.23 “Delivery Point” means the point at which the Output will be delivered by Seller and received by Buyer hereunder, as specified in Exhibit 2 [Description of Generating Facility].

- 1.24** “EA Agency” means any local, state or federal entity, or any other Person, that has responsibility for or jurisdiction over a program involving transferability of Environmental Attributes, including the Clean Air Markets Division of the United States Environmental Protection Agency, the California Resources, Conservation and Development Commission, the California Public Utilities Commission, and any successor agency thereto.
- 1.25** “Effective Date” has the meaning set forth in the preamble of this Agreement.
- 1.26** “Emergency” means any condition or situation which poses an imminent threat to: (i) life or property, or (ii) Buyer's, or any of its member's, ability to maintain safe, adequate, and continuous electric power and energy service to its customers.
- 1.27** “Energy” means the electricity generated by the Generating Facility pursuant to this Agreement, as expressed in units of kWh or MWh.
- 1.28** “Environmental Attributes” means any and all credits, benefits, emissions reductions, offsets, and allowances, howsoever entitled, attributable to the generation from the Generating Facility or Expansion Plant(s), as the case may be, and its displacement of conventional energy generation. Environmental Attributes include: (i) any avoided emissions of pollutants to the air, soil or water such as sulfur oxides (SO_x), nitrogen oxides (NO_x), carbon monoxide (CO) and other pollutants; (ii) any avoided emissions of carbon dioxide (CO₂), methane (CH₄) and other greenhouse gases that have been determined by the United Nations Intergovernmental Panel on Climate Change to contribute to the actual or potential threat of altering the Earth's climate by trapping heat in the atmosphere; and (iii) the reporting rights to these avoided emissions such as Green Tag Reporting Rights.

“Green Tag Reporting Rights” are the right of a Green Tag purchaser to report the ownership of accumulated Green Tags in compliance with federal or state law, if applicable, and to a federal or state agency or any other party at the Green Tag purchaser's discretion, and include those Green Tag Reporting Rights accruing under Section 1605(b) of The Energy Policy Act of 1992 and any present or future federal, state, or local law, regulation or bill, and international or foreign emissions trading program. “Green Tags” are accumulated on MWh basis and one Green Tag represents the Environmental Attributes associated with one (1) MWh of energy.

Environmental Attributes do not include: (i) any energy, capacity, reliability or other power attributes from the Generating Facility or Expansion Plant(s), (ii) Production Tax Credits associated with the construction or operation of the Generating Facility, or Expansion Plant(s), and other financial incentives in the form of credits, reductions, or allowances associated with the Generating Facility or Expansion Plant(s) that are applicable to a state or federal income taxation obligation, (iii) fuel-related subsidies or “tipping fees” that may be paid to Seller to accept certain fuels, or local subsidies received by Seller or the owners of the Site for the destruction of particular pre-existing pollutants or the promotion of local environmental benefits, or (iv) emission reduction

credits encumbered or used by the Generating Facility or Expansion Plant(s) for compliance with local, state, or federal operating and/or air quality permits.

- 1.29 “Environmental Attributes Reporting Rights” means all rights to report ownership of the Environmental Attributes to any Person, including under Section 1605(b) of the Energy Policy Act of 1992.
- 1.30 “ERR” has the meaning set forth in the recitals of this Agreement.
- 1.31 “Event of Default” has the meaning set forth in Article 9.
- 1.32 “Expansion Plant” means any expansion of the Generating Facility from its Contract Capacity. Each such expansion of the Generating Facility shall be deemed to be an Expansion Plant.
- 1.33 “Expansion Plant Output” means all capacity and associated Energy, Test Energy, and associated Environmental Attributes and Capacity Attributes produced by Seller at any Expansion Plant.
- 1.34 “Expected Annual Contract Quantity” means the amount of Energy and Environmental Attributes that Seller expects to deliver to Buyer hereunder in a given Contract Year other than the first and last Contract Years (which may be partial years), as set forth in Exhibit 6 [Expected Annual Contract Quantity Form].
- 1.35 “Expected Commercial Operation Date” means the date on which the Commercial Operation Date is expected to occur, as specified in Exhibit 7 [Milestones].
- 1.36 “FERC” means the Federal Energy Regulatory Commission and its successor organization, if any.
- 1.37 “Force Majeure Event” has the meaning set forth in Section 8.1.
- 1.38 “GAAP” means Generally Accepted Accounting Principles in the United States of America that are consistently applied.
- 1.39 “Generating Facility” means Seller’s electricity generating facility as more particularly described in Exhibit 2 [Description of Generating Facility], together with all materials, equipment systems, structures, features and improvements necessary to produce electricity at such facility, excluding the Site, land rights and interests in land.
- 1.40 “Governmental Authority” means any federal or state government, or political subdivision thereof, including, any municipality, township or county, or any entity or authority exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including, any corporation or other entity owned or controlled by any of the foregoing.
- 1.41 “Guarantor” means a Person that guarantees the obligations of Seller by executing a Guaranty.

- 1.42 “Guaranty” means a guaranty in the form attached hereto as Exhibit 8 [Guaranty Agreement].
- 1.43 “Interconnection” means the interconnection of the Generating Facility with the Transmission System, including construction, installation, operation and maintenance of all Interconnection Facilities.
- 1.44 “Interconnection Agreement” means the agreement between Seller and the Transmission Provider pursuant to which Seller and the Transmission Provider set forth the terms and conditions for Interconnection of the Generating Facility to the Transmission System, as amended from time to time.
- 1.45 “Interconnection Facilities” means all of the facilities installed for the purpose of interconnecting the Generating Facility to the Transmission System, including transformers and associated equipment, relay and switching equipment and safety equipment.
- 1.46 “Interest Rate” means, for any date, the lesser of: (i) the per annum rate of interest equal to the prime lending rate as may from time to time be published in the *Wall Street Journal* under “Money Rates” on such day (or if not published on such day on the most recent preceding day on which published); and (ii) the maximum rate permitted by applicable law.
- 1.47 “Intermittent Resources” means Generating Facilities that use wind or solar energy, or tidal or wave action, to generate electricity, or any other resource agreed upon by Seller and Buyer.
- 1.48 “Investment Tax Credits” or “ITC” means investment tax credits under Section 48 of the Internal Revenue Code, as amended from time-to-time during the Term.
- 1.49 “ISO” means the California Independent System Operator Corporation, or its functional successor.
- 1.50 “ISO Tariff” means the duly authorized tariff, rules, protocols and other requirements of the ISO, as amended from time to time.
- 1.51 “kWh” means a kiloWatt-hour of electric energy.
- 1.52 “Lender(s)” means any Person(s) providing money or extending credit (including any capital lease) to Seller for: (i) the construction of the Generating Facility; or (ii) the term or permanent financing of the Generating Facility.
- 1.53 “Letter(s) of Credit” means one or more irrevocable, transferable standby letters of credit issued by a U.S. commercial bank, or the U.S. branch of a foreign bank, with such bank having a credit rating of at least A- from S&P or A3 from Moody’s, in the form attached hereto as Exhibit 9 [Letter of Credit].

- 1.54 “Meters” means the physical metering devices, data processing equipment and apparatus associated with the meters owned by Seller or Transmission Provider or its designee, and used to determine the quantities of Energy generated by the Generating Facility and to record other related parameters required for the reporting of data to Seller in accordance with the requirements of Article 4.
- 1.55 “Meter Service Agreement for ISO Metered Entities” has the meaning set forth in the ISO Tariff.
- 1.56 “Milestones” means the events that are set forth in Exhibit 7 [Milestones].
- 1.57 “Moody’s” means Moody’s Investor Services, Inc. or its successor.
- 1.58 “MW” means a megaWatt of electric energy.
- 1.59 “MWh” means a megaWatt-hour of electric energy.
- 1.60 “Non-Peak Months” means, collectively, the months of October, November, December, January, February, March, April and May during each Contract Year.
- 1.61 “Outage” means a physical state in which all or a portion of the Generating Facility is unavailable to provide Energy to the Delivery Point, including any duration or reduction in the capacity of the Generating Facility, whether planned or unplanned.
- 1.62 “Output” means (i) the Contract Capacity and associated Energy, (ii) Test Energy, and (iii) all Environmental Attributes and Capacity Attributes.
- 1.63 “Participating Generator Agreement” has the meaning set forth in the ISO tariff.
- 1.64 “Parties” means Buyer and Seller, and their respective successors and permitted assignees.
- 1.65 “Party” means Buyer or Seller, and each such Party’s respective successors and permitted assignees.
- 1.66 “Peak Months” means, collectively, the months of June, July, August and September during each Contract Year.
- 1.67 “Permits” means, collectively, all federal, state or local authorizations, certificates, permits, licenses and approvals required by any Governmental Authority for the construction, ownership, operation and maintenance of the Generating Facility.
- 1.68 “Person” means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity.
- 1.69 “Production Tax Credits” or “PTC” means production tax credits under Section 45 of the Internal Revenue Code, as amended from time-to-time during the Term.

- 1.70** “Prudent Utility Practice” means those practices, methods and equipment, as changed from time to time, that: (i) when engaged in, or employed, are commonly used in the State of California in prudent electrical engineering and operations to operate electricity equipment lawfully and with safety, reliability, efficiency and expedition; or (ii) in the exercise of reasonable judgment considering the facts known, when engaged in could have been expected to achieve the desired result consistent with applicable law, safety, reliability, efficiency and expedition.

Prudent Utility Practices are not limited to an optimum practice, method, selection of equipment or act, but rather are a range of acceptable practices, methods, selections of equipment or acts.

- 1.71** “Replacement Price” means either (a) the price at which Buyer, acting in a commercially reasonable manner, purchased or purchases a replacement for any Output required to be, but not, delivered by Seller hereunder, plus (i) costs reasonably incurred by Buyer in purchasing such substitute Output, and (ii) additional transmission charges, if any, reasonably incurred by Buyer to the Delivery Point; or at Buyer’s option, (b) the market price at the Delivery Point for such Output not delivered as determined by Buyer in a commercially reasonable manner; provided, however, Buyer shall not be required to purchase any replacement for Output not delivered to determine the Replacement Price under (b) above, or to utilize or change its utilization of its owned or controlled assets or market positions to minimize Seller’s liability. For the purposes of this definition, Buyer may purchase or value Energy, Environmental Attributes and Capacity Attributes, together or separately, and if separately, the Replacement Price shall be the sum of the relevant costs and values.
- 1.72** “Resource Adequacy Benefits” means the rights and privileges attached to any generating resource that satisfy any entity’s resource adequacy obligations.
- 1.73** “Required Credit Rating” means a rating on a Party’s unsecured, senior long-term debt obligations, unenhanced by any insurance or other mechanism, of not less than “BBB-” by S&P or “Baa3” by Moody’s.
- 1.74** “Requirements of Law” means, collectively, any federal or state law, treaty, franchise, rule, regulation, order, writ, judgment, injunction, decree, award or determination of any arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon Seller or Buyer or any of their property or to which Seller or Buyer or any of their respective properties are subject.
- 1.75** “RPS” or “Renewable Portfolio Standard Program” has the meaning set forth in the recitals of this Agreement.
- 1.76** “Schedule” or “Scheduling” means the actions of Seller, Buyer and/or their designated representatives, including each Party’s Transmission Providers, if applicable, of notifying, requesting and confirming to each other the quantity of Energy to be delivered on any given day or days hereunder during the Term at the Delivery Point.

- 1.77 “Scheduling Coordinator” means an entity certified by the ISO for the purposes of undertaking the responsibilities specified by ISO Tariff Section 2.2.6, as amended from time-to-time.
- 1.78 “Seller” has the meaning set forth in the preamble of this Agreement.
- 1.79 “Site” means the real property on which the Generating Facility is to be built and located, as more particularly described in Exhibit 2 [Description of Generating Facility].
- 1.80 “Site Control” means the point at which Seller satisfies one or more of the following conditions: (i) Seller is (a) the lessee under a lease, or (b) the grantee under an exclusive easement, in each case with the owner of the Site that allows Seller to construct and operate the Generating Facility at the Site during the Term in accordance with this Agreement; (ii) Seller has a fee ownership of the Site; or (iii) any other form of site control acceptable to Buyer in its reasonable discretion.
- 1.81 “S&P” means the Standard & Poor’s Rating Group (a division of McGraw-Hill, Inc.) or its successor.
- 1.82 “Taxes” means any federal, state, local or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property (including assessments, fees or other charges based on the use or ownership of real property), personal property, transactional, sales, use, transfer, registration, value added, alternative or add on minimum, estimated tax, or other tax of any kind whatsoever, or any liability for unclaimed property or escheatment under common law principles, including any interest, penalty or addition thereto, whether disputed or not, including any item for which liability arises as a transferee or successor-in-interest.
- 1.83 “Term” has the meaning set forth in Section 2.1.
- 1.84 “Test Energy” means Energy generated by the Generating Facility prior to the Commercial Operation Date.
- 1.85 “Test Energy Price” means the price that is eighty percent (80%) of the Contract Price.
- 1.86 “Transmission Provider” means any entity or entities responsible for the interconnection of the Generating Facility with a Control Area or transmitting Energy on behalf of Seller from the Generating Facility to the Delivery Point, and on behalf of Buyer from the Delivery Point.
- 1.87 “Transmission System” means the facilities used for the transmission of electricity in interstate commerce, including any modifications or upgrades made to such facilities, owned or operated by the Transmission Provider.

ARTICLE 2: TERM; TERMINATION AND SURVIVAL OF OBLIGATIONS

2.1 Effective Date and Term

This Agreement shall become effective on the Effective Date and, unless earlier terminated pursuant to an express provision of this Agreement, shall continue until the day before the [*Insert Term*] anniversary of the Commercial Operation Date (“Term”).

2.2 Buyer Termination Option

(a) Generally. Buyer may, in its sole and unlimited discretion, terminate this Agreement at any time after two (2) years from the Commercial Operation Date, upon thirty (30) days advance written notice to Seller, without liability of any kind (other than for previously accrued obligations) provided that within this thirty (30) day period Buyer pays to Seller the Buyout Payment. Termination under this Section 2.2 shall not be implied from any Event of Default or other act or omission of Buyer other than by express written notice by Buyer invoking this Section 2.2.

(b) Buyout Payment. The Buyout Payment shall be determined pursuant to Exhibit 1 [Buyout Payment]. Buyer shall remit the Buyout Payment to Seller in equal monthly installments over the lesser of (i) five (5) years, or (ii) the remaining Term of this Agreement. The Buyout Payment shall not be considered as a measure of damages or for any purpose other than in connection with this Section 2.2.

(c) Disputes. Any disputes regarding the provisions of this Section 2.2 or Exhibit 1 [Buyout Payment] shall be resolved in accordance with Section 11.2(d) of this Agreement. Notwithstanding any such dispute, this Agreement shall terminate upon the effective date of the notice to Seller pursuant to Section 2.2(a).

2.3 Effect of Termination - Survival of Obligations

(a) Generally. Except as set forth in section 2.3(b) or as otherwise expressly set forth herein, upon expiration or termination of this Agreement, neither Party shall have future or further rights or obligations under this Agreement.

(b) Survival of Obligations. The following rights, obligations or provisions shall survive termination or expiration of this Agreement:

- (i) obligations by one Party to the other for payment of any amounts, or for performance of any duties, that have accrued or arose prior to, or have directly resulted from, the expiration or termination of this Agreement;
- (ii) indemnity obligations contained in Section 9.4, which shall survive to the full extent of the statute of limitations period applicable to any third party claim;
- (iii) limitation of liability provisions contained in Section 11.18;

- (iv) for a period of one (1) year after the expiration or termination date, the right to dispute an invoice pursuant to Section 5.1(b); or
- (v) the Confidentiality obligations under Section 11.5.

ARTICLE 3: PURCHASE AND SALE

3.1 Purchase and Sale of Output

(a) Generally. In accordance with the terms and conditions hereof, commencing on the Commercial Operation Date and continuing throughout the Term, Seller shall sell and deliver at the Delivery Point, and Buyer shall purchase and accept from Seller at the Delivery Point, and pay the Contract Price for, all of the Output. Seller shall only Schedule and deliver Energy and Environmental Attributes and Capacity Attributes from the Generating Facility.

(b) Test Energy. Prior to the Commercial Operation Date, Seller shall sell and deliver at the Delivery Point, and Buyer shall purchase and accept from Seller at the Delivery Point, and pay the Test Energy Price for the Test Energy. All Test Energy shall be Scheduled in accordance with Section 3.1(c) and Exhibit 10 [Operations Forecasts and Scheduling Protocols].

(c) Scheduled and Delivered Amounts.¹ Seller shall use good faith efforts to ensure that the amounts Scheduled hereunder match the amounts generated by the Generating Facility. Notwithstanding anything herein to the contrary, the Parties acknowledge that, because of the scheduling requirements of the ISO, Scheduled deliveries and metered generation may be unequal during any period. Buyer shall make monthly payments based upon the amount Scheduled through the ISO, and shall reconcile differences between metered generation and the Energy Scheduled by Seller's Scheduling Coordinator in the next monthly period after actual meter data is available and confirmed by the ISO as follows:

- (i) If the metered generation is more than the amount of Energy Scheduled through the ISO then the following reconciliation shall apply:
 - 1. If the actual imbalance energy price received by Seller (or its Scheduling Coordinator) from the ISO is less than the Contract Price, Buyer shall pay to Seller (in addition to amounts paid for Scheduled Energy) the amount equal to (A) eighty percent (80%) of the difference between (i) the Contract Price for such excess Energy amounts, and (ii) the greater of zero dollars (\$0.0) per MWh or the actual imbalance energy price received by Seller (or its Scheduling Coordinator) from the ISO in respect of such excess Energy, multiplied by (B) the amount of the excess Energy generated.

¹ [NOTE: This section shall not apply to projects less than 1 MW.]

2. If the actual imbalance energy price received by Seller (or its Scheduling Coordinator) from the ISO is greater than the Contract Price, Seller shall pay to Buyer an amount equal to (A) the difference between (i) the actual imbalance energy price received by Seller (or its Scheduling Coordinator) from the ISO, and (ii) the Contract Price for the excess Energy not Scheduled to Buyer, multiplied by (B) the amount of such excess Energy.
 3. In either case, all Environmental Attributes and any Capacity Attributes associated with such excess Energy shall be transferred to Buyer at no additional cost to Buyer.
- (ii) If the metered generation is less than the amount of Energy Scheduled through the ISO then the following reconciliation shall apply:
1. If the price paid by Seller (or its Scheduling Coordinator) to the ISO is less than the Contract Price, Seller shall retain all payments for the Scheduled amounts, but shall return to Buyer the amount equal to (A) the difference between (i) the Contract Price for such generation, and (ii) the actual imbalance energy price paid by Seller (or its Scheduling Coordinator) to the ISO for such excess Scheduled generation, multiplied by (B) the amount of such excess Scheduled generation.
 2. If the price paid by Seller (or its Scheduling Coordinator) to the ISO is greater than the Contract Price, Buyer shall pay to Seller (in addition to amounts paid for Scheduled Energy) the amount equal to (A) eighty percent (80%) of the difference between (i) the lower of (a) two times the Contract Price or (b) the price paid by Seller (or its Scheduling Coordinator) to the ISO and (ii) the Contract Price, multiplied by (B) the amount of such excess Scheduled generation.
- (iii) Notwithstanding the foregoing, if, beginning with the fourth month following the Commercial Operation Date and for each month thereafter, the average over the month of each hourly difference between the Scheduled amount and the generated amount, expressed as a percentage of the relevant hour's Scheduled amount, is greater than plus or minus ten percent (10%), then, with respect to such month:
1. the percentages set forth in Sections 3.1(c)(i)(1)(A) and 3.1(c)(ii)(2)(A) shall be reduced to fifty percent (50%), and
 2. the zero dollars per (\$0.0) per MWh value in Section 3.1(c)(i)(1)(A) shall be increased to the amount equal to the Contract Price multiplied by 0.5, and
 3. the two times the Contract Price value in Section 3.1(c)(ii)(2)(A)(i)(a) shall be reduced to 1.5 times the Contract Price.
- (iv) Except as set forth in this Section 3.1(c), in the event that the amount of Output generated by the Generating Facility deviates from the Scheduled

amounts in any time interval, Seller shall bear any costs (and hold Buyer harmless therefrom) and retain any revenues associated with the deviation.

(d) Intermittent Resources. If, and for so long as, the Seller is participating in the Participating Intermittent Resource Program ("PIRP") established under ISO Tariff Amendment 42, and Seller's Schedules are established under such program, Buyer shall pay to Seller the Scheduled amounts, and there shall be no reconciliation pursuant to Section 3.1(c)(i),(ii), and (iii). However, if at any time during the Term, Seller is no longer participating in PIRP, or its Schedules are not established under PIRP, Section 3.1(c) shall apply.

3.2 Delivery Point

(a) Allocation of Costs and Risks. Seller shall be responsible for any costs or charges imposed on or associated with the Output or the delivery of the Output hereunder up to and at the Delivery Point. Buyer shall be responsible for any costs or charges imposed on or associated with the Output, or its receipt, after the Delivery Point.

(b) Title and Risk of Loss. Title to, and risk of loss related to, the Output shall transfer from Seller to Buyer after the Delivery Point.

3.3 Environmental Attributes and Capacity Attributes

(a) Generally. Throughout the Term, Seller shall transfer to Buyer, and Buyer shall receive from Seller, all rights, titles and interest in and to the Environmental Attributes and Capacity Attributes, if any, whether now existing or subsequently generated or acquired (other than by direct purchase from a third party) by Seller, or that hereafter come into existence, during the Term, as a component of the Output purchased by Buyer from Seller hereunder. Seller agrees to transfer and make such Environmental Attributes and Capacity Attributes available to Buyer immediately to the fullest extent allowed by applicable law upon Seller's production or acquisition of the Environmental Attributes and Capacity Attributes. Seller agrees that the Contract Price and the Test Energy Price, as applicable are the full compensation for all Energy, Environmental Attributes, and Capacity Attributes.

(b) No Assignment. Seller shall not assign, transfer, convey, encumber, sell or otherwise dispose of any portion of the Environmental Attributes and Capacity Attributes to any Person other than Buyer.

(c) RPS Compliance. Before delivery of any Test Energy hereunder, Seller shall cause: (i) the Generating Facility to be certified by the appropriate entity having jurisdiction as an ERR for purposes of the RPS legislation; and (ii) all Output delivered to Buyer from the Generating Facility to qualify as output of an ERR for purposes of the RPS legislation. Seller shall ensure that the Generating Facility maintains ERR status throughout the Term of this Agreement. Seller shall cooperate reasonably with Buyer and provide such certifications or attestations to Buyer as are reasonably necessary to verify that all Environmental Attributes attributable to the Energy have been transferred to Buyer.

(d) Reporting Rights. During the Term, Seller shall not report to any Person that the Environmental Attributes and Capacity Attributes granted hereunder to Buyer belong to anyone other than Buyer, and Buyer may report under any program that such attributes purchased hereunder belong to it.

(e) Attestation. Seller shall document the production of Environmental Attributes under this Agreement by delivering with each invoice to Buyer an attestation for Environmental Attributes produced by the Generating Facility and purchased by Buyer in the preceding calendar month. On or before March 31st of each year following a Contract Year, Seller shall document the transfer of Environmental Attributes to Buyer under this Agreement by delivering to Buyer an attestation for Environmental Attributes transferred under this Agreement in the preceding Contract Year. The form of attestation is set forth as Exhibit 11 [Form of Attestation]. Exhibit 11 [Form of Attestation] shall be updated or changed by the Parties as necessary to ensure that Buyer receives full and complete title to, and the ability to record with any EA Agency as its own, all of the Environmental Attributes purchased hereunder.

(f) Documentation. At Buyer's request, the Parties, each at their own expense, shall execute all such documents and instruments in order to effect the transfer of the Environmental Attributes specified in this Agreement to Buyer or its designees, as Buyer may reasonably request. Upon notification by an EA Agency that any transfers contemplated by this Agreement will not be recorded, the Parties shall promptly cooperate in taking all reasonable actions necessary so that such transfer can be recorded. Each Party shall promptly give the other Party copies of all documents it submits to the EA Agency to effectuate any transfers.

3.4 Tax Credits

Buyer agrees and acknowledges that all PTCs and ITCs in effect on the Effective Date shall be owned by Seller and/or the owners of the Site. In the event that new tax credits or increased levels of existing tax credits, or other financial incentives applicable to the Generating Facility or the Output are enacted or implemented after the Effective Date and during the Term of the Agreement, Seller agrees to share with Buyer fifty percent (50%) of the value of such tax credits and/or financial incentives realized by Seller or its affiliates in respect of the Generating Facility or the Output.

3.5 Right of First Refusal for Expansion Plant and Expansion Plant Output

(a) Buyer's Right to Purchase. Seller may in its sole discretion determine, from time to time, during the Term to develop, finance, construct and/or operate an Expansion Plant. Each time such a determination is made, Seller shall notify Buyer of such determination and shall offer in writing to sell the Expansion Plant Output to Buyer. The offer shall include the price to be paid by Buyer for the Expansion Plant Output, and the term of the proposed power purchase agreement ("PPA"). The PPA shall otherwise conform to the terms and conditions of this Agreement. If Buyer wishes to accept such offer to purchase all (or a portion) of the Expansion Plant Output, Buyer shall so notify Seller within ninety (90) days of its receipt of such offer. The Parties shall promptly thereafter enter into a

definitive PPA incorporating the terms of such offer. Until such an Expansion Plant PPA is executed, Seller's proposal accepted by Buyer (including any modifications agreed upon in writing by both Parties), shall control all dealings between the Parties relating to the Expansion Plant.

(b) Seller's Right to Sell to Third Parties. If Buyer does not accept Seller's offer to purchase all of the Expansion Plant Output within ninety (90) days of receipt of Seller's offer, Seller shall be free to offer to sell that portion of the Expansion Plant Output not accepted by Buyer to one or more third parties at a price and on other terms and conditions which, taken as a whole, are at least as favorable to Seller as the price and other terms and conditions set forth in Seller's offer to Buyer. If Buyer does not purchase the Expansion Plant Output and Seller sells such Expansion Plant Output to a third party, it shall promptly certify in writing to Buyer that the terms and conditions of sale of such Expansion Plant Output to such third party, taken as a whole, are at least as favorable to Seller as the price and other terms and conditions set forth in Seller's offer to Buyer, and Seller shall provide the relevant contract and any other supporting documentation for such certification. Upon the sale of such Expansion Plant Output in compliance with this Agreement, Buyer shall have no further rights to be offered or to purchase such Expansion Plant Output. Buyer's refusal of Expansion Plant Output from one Expansion Plant shall not affect Buyer's right to purchase the Expansion Plant Output from a later Expansion Plant under the terms of this Agreement. Seller shall not sell nor provide Buyer's Expansion Plant Output to any third party unless it can do so without compromising in any material way its ability to provide the Output to Buyer hereunder. The materiality of any such impact shall be determined by Buyer in its reasonable discretion.

3.6 Option to Install Emission Controls

Buyer may at its option, exercised from time to time, install emission controls on the Generating Facility in connection with the Contract Capacity beyond those then required to meet the Requirements of Law applicable to Seller or the Generating Facility, provided that:

- (i) Buyer shall (a) bear all costs and financial, regulatory and operational risks thereof, including the capital cost thereof and any increase in operation or maintenance expenses, (b) keep Seller whole in all respects, including for decreases in Output and other adverse effects on the Contract Capacity and its performance, increases in operations and maintenance costs and failures of such emission controls to operate; and (c) retain any and all benefits resulting from the emission controls installed by Buyer, including environmental offsets, additional energy production, operation and maintenance cost savings, and tax credits; and
- (ii) Buyer shall not make any such changes to the Contract Capacity without the approval of Seller to the design and plan for implementation of such changes, such approval not to be unreasonably withheld.

ARTICLE 4: METERING

4.1 Metering Requirements

(a) Meters. The transfer of Energy from Seller to Buyer shall be measured by revenue quality Meters at the Delivery Point. Such Meters shall be selected, provided, installed, owned, maintained and operated, at Seller's sole cost and expense, by Seller or its designee in accordance with the ISO Tariff. Seller shall exercise reasonable care in the maintenance and operation of the Meters, and shall test and verify the accuracy of each Meter at least annually. Seller shall inform Buyer in advance of the time and date of these tests, and shall permit Buyer to be present at such tests and to receive the results of such tests.

(b) SCADA. Seller shall install and maintain all equipment and data circuits necessary to determine and transmit real time supervisory control and data acquisition ("SCADA") system data and real time data from the Meter to the ISO. Seller shall provide to Buyer a copy of each certificate of compliance issued by ISO, if any.

(c) Access by Buyer. Buyer shall be provided access to all monitored SCADA points to be used at its discretion in real time monitoring. Buyer may further, at its sole cost and expense, install any updates or upgrades to the Meters, as well as install and maintain check meters and all associated measuring equipment necessary to permit an accurate determination of the quantities of Energy delivered under this Agreement, provided that such equipment does not interfere with Seller's Meters. Seller shall permit Buyer or Buyer's representative access to its Generating Facility for the purpose of installing and maintaining such check meters.

(d) ISO Requirements. Seller shall submit to the ISO, or allow the ISO to retrieve, any meter data required by the ISO related to the Generating Facility and its Output in accordance with the ISO's settlement and billing protocol and meter data tariffs.

4.2 Meter Inaccuracies and Retroactive Adjustments

If a Meter fails to register, or if the measurement made by a Meter is found upon testing to be inaccurate by an amount exceeding plus or minus one percent (1%), an adjustment shall be made correcting all measurements made by the inaccurate or defective Meter during the Adjustment Period. If the Parties are unable to agree on the amount of the adjustment to be applied to the Adjustment Period, the amount of the adjustment shall be determined: (i) by correcting the error if the percentage of error is ascertainable by calibration, tests or mathematical calculation, or (ii) if not so ascertainable, by estimating on the basis of the deliveries under similar conditions during periods when the Meter was registering accurately. Upon the determination of the amount of any adjustment and upon acceptance of such adjustment by the ISO, if applicable, Buyer shall pay to Seller any additional amounts then due for deliveries of Output during the Adjustment Period at such time as other payments are due for the billing period in which the determination is made, or Buyer shall be entitled to a credit against the next subsequent payments due for the deliveries of Output, whichever case is applicable.

4.3 Records and Audits

Seller and Buyer shall each keep complete and accurate records and all other data required by each Party for the purposes of proper administration of this Agreement, including such records as may be required by state or federal regulatory authorities. To facilitate payment and verification, Seller and Buyer shall keep all books and records necessary for billing and payments and grant the other Party reasonable access to those records. Seller and Buyer, at their own expense, shall have the right to audit and to examine the billing and operating records and data kept by the other Party relating to the transactions under, and the administration of, this Agreement at any time during normal business hours throughout the Term of this Agreement and for two years thereafter. All such records and data shall be maintained by each Party throughout the Term of this Agreement and for a period of not less than two (2) years following the termination hereof. All such audits and examinations shall be conducted upon reasonable notice and during normal business hours.

ARTICLE 5: BILLING AND PAYMENT

5.1 Billing

(a) Generally. Seller shall read the Meters at the end of each calendar month of the Term, and provide to Buyer on or before the tenth (10th) day of the following month: (i) an invoice based upon the Meter data for Energy delivered in such previous calendar month; and (ii) the corresponding attestation pursuant to Exhibit 11 [Form of Attestation]. Such invoice shall be delivered as specified under Section 11.1.

(b) Disputes over Invoice. Should either Seller or Buyer determine at a later date, but in no event later than one (1) year after the original invoice date, that the invoice amount was incorrect, that Party shall promptly notify the other Party of the error. In the event that an invoice or portion thereof, or any other claim or adjustment arising hereunder, is disputed, payment of the undisputed portion of the invoice shall be required to be made when due, with notice of the objection given to the other Party. Payment of the disputed amount shall not be required until the dispute is resolved. Upon resolution of the dispute, any required payment shall be made within thirty (30) Business Days of such resolution along with interest accrued at the Interest Rate from, and including, the due date to, but excluding the date paid. Inadvertent overpayments by Buyer shall be returned upon request or deducted by Seller from subsequent payments, with interest accrued at the Interest Rate from, and including, the date of such overpayment to, but excluding the date repaid or deducted by, Seller. Any dispute with respect to an invoice is waived unless the other Party is notified in accordance with this Section 5.1(b) within one (1) year after the invoice is rendered or any specific adjustment to the invoice is made. If an invoice is not rendered within one (1) year after the close of the month during which performance occurred, the right to payment for such performance is waived. Failure of Buyer or its agent to withhold any payment amount is not a waiver of Buyer's right to challenge such amount.

5.2 Payment

(a) Generally. Subject to Section 5.1(b), all invoices under this Agreement shall be due and payable on or before thirty (30) days after receipt of the invoice or, if such day is not a Business Day, then on the next Business Day. Each Party shall make payments by electronic funds transfer as set forth in Exhibit 12 [Payment/Wire Instructions], or by other mutually agreeable method(s), to the account designated by the other Party.

(b) Late Payments and Interest Rate. Payments made after the due date shall be considered late and shall bear interest on the unpaid balance at an annual rate equal to two percent (2%) plus the Interest Rate. Interest shall be computed on the basis of a 365-day year.

5.3 Netting of Payments

The Parties hereby agree that they shall discharge mutual debts and payment obligations due and owing to each other on the same date through netting, in which case all amounts owed by each Party to the other for the purchase and sale of Output during the monthly billing period under this Agreement, including any related damages, interest, and payments or credits, shall be netted so that only the excess amount remaining due shall be paid by the Party who owes it.

5.4 Allocation of Taxes

Seller shall pay or cause to be paid all Taxes on or with respect to the Output sold and delivered hereunder arising at, or prior to, the Delivery Point. Buyer shall pay or cause to be paid all Taxes on or with respect to the Output purchased and received from the Delivery Point (other than ad valorem, franchise or income taxes which are related to the sale of the Output and are, therefore, the responsibility of Seller). In the event Seller is required by law or regulation to remit or pay Taxes which are Buyer's responsibility hereunder, Buyer shall promptly reimburse Seller for such Taxes. If Buyer is required by law or regulation to remit or pay Taxes which are Seller's responsibility hereunder, Buyer may deduct the amount of any such Taxes from the sums due to Seller under this Agreement. Nothing shall obligate or cause a Party to pay or be liable to pay any Taxes for which it is exempt under the law. In the event that such Party does not prepare audited financial statements, such Party shall provide financial statements prepared in accordance with GAAP demonstrating its financial condition in form and substance reasonably acceptable to the other Party.

ARTICLE 6: CREDIT REQUIREMENTS

6.1 Financial Information

If requested by one Party, the other Party shall deliver: (i) within one hundred and twenty (120) days following the end of each fiscal year, a copy of the other Party's annual report containing audited consolidated financial statements for such fiscal year, and (ii) within sixty (60) days after the end of each of its first three (3) fiscal quarters of

each fiscal year, a copy of the other Party's quarterly report containing unaudited consolidated financial statements for such fiscal quarter. In all cases the statements shall be for the most recent accounting period and prepared in accordance with GAAP; provided, however, that should any such statements not be available on a timely basis due to a delay in preparation or certification, such delay shall not be an Event of Default so long as the other Party diligently pursues the preparation, certification and delivery of the statements.

6.2 Credit

(a) Required Credit Rating. Subject to Sections 6.2(b) and (c) below, Seller, or its Guarantor (if applicable), shall maintain a minimum credit rating no lower than the Required Credit Rating throughout the Term of this Agreement.

(b) Seller's Failure to Maintain Required Credit Rating. At any time during the Term of this Agreement, in the event that Seller's credit rating by either S&P or Moody's is lower than the Required Credit Rating, or in the event that Seller's senior unsecured long-term debt is not rated by S&P or Moody's, then Seller shall provide to the other within three (3) Business Days of request: (i) a Guaranty from a Guarantor with a credit rating equal to, or better than, the Required Credit Rating; or (ii) either a Letter of Credit or cash in an amount equal to the Credit Support Amount. If Seller's credit rating is below the Required Credit Rating on the Effective Date of this Agreement, Seller shall provide contemporaneously with the Agreement: (i) a Guaranty from a Guarantor with a credit rating equal to, or better than, the Required Credit Rating; or (ii) either a Letter of Credit or cash in an amount equal to the Credit Support Amount.

(c) Guarantor's Failure to Maintain Required Credit Rating. In the event that Seller's, and its Guarantor's, credit rating by either S&P or Moody's is lower than the Required Credit Rating, or in the event that Seller's, and its Guarantor's (if applicable), senior unsecured long-term debt is not rated by S&P or Moody's, then Seller shall provide to the other within three (3) Business Days of request either a Letter of Credit or cash in an amount equal to the Credit Support Amount.

ARTICLE 7: SELLER'S ADDITIONAL OBLIGATIONS

During the Term of this Agreement, Seller hereby agrees to perform the following obligations, in addition to Seller's obligations pursuant to Articles 3, 4, 5, and 6:

7.1 Construction, Operation and Maintenance of the Generating Facility

(a) Generally. Seller shall develop, finance, construct, own, operate, and maintain the Generating Facility in accordance with this Agreement, all Requirements of Law, Contractual Obligations, Permits and Prudent Utility Practice.

(b) Compliance. Seller shall, in its own name and at its own expense, seek, obtain, maintain, comply with and, as necessary, renew and modify from time to time, all Permits and other authorizations that are required by any Requirements of Law or

Governmental Authority as are necessary for Seller to engage in the activities and obligations required by the Agreement.

(c) Records. Seller shall keep complete and accurate operating and other records and all other data for the purposes of proper administration of this Agreement as reasonably required by Buyer, including such records as may be required by any Governmental Authority or Prudent Utility Practice.

(d) Disclosure. Seller shall provide to Buyer such information regarding the permitting, engineering, construction or operations of the Generating Facility as Buyer may from time to time reasonably request, subject to licensing or other restrictions of Seller or a third party with respect to confidentiality, disclosure or use.

(e) Insurance. Seller shall obtain and maintain the policies of insurance in amounts and with coverage as set forth in Exhibit 14 [Seller's Insurance Information].

7.2 Milestones

(a) Generally. Seller covenants that it will diligently pursue all Milestones set forth in Exhibit 7 [Milestones], including the Commercial Operation Date. The Parties agree that time is of the essence in connection with the completion of the Generating Facility, and that certain Milestones for the development, financing and construction of the Generating Facility must be achieved in a timely fashion or Buyer shall suffer damages. Seller shall achieve the Milestones by the corresponding dates set forth in Exhibit 7 [Milestones].

(b) Monthly Reports. Starting on the Effective Date, Seller shall provide to Buyer monthly progress reports concerning the progress towards completion of the Milestones. In addition, within five (5) Business Days of the completion of each Milestone, Seller shall provide a certification to Buyer (along with any supporting documentation) demonstrating the satisfaction of such Milestone. Seller shall provide to Buyer additional information concerning Seller's progress towards, or confirmation of, achievement of the Milestones, as Buyer may reasonably request from time to time.

(c) Notice of Failure To Achieve a Milestone. Upon becoming aware that Seller will, or is reasonably likely to, fail to achieve one or more Milestone(s) by the required date, for any reason including a Force Majeure Event, Seller shall so notify Buyer in writing as soon as is reasonably practical. Such notice shall explain the cause of the delay, provide an updated date for achievement of the Milestone(s), and describe Seller's plan for meeting such Milestone(s). Seller's notice will also explain any impact such delay may or will have on any other Milestone, and the measures to be taken to mitigate such impact.

(d) Failure To Achieve Milestone. In the event that Seller fails to meet any Milestone by the applicable Milestone deadline as set forth in Exhibit 7 [Milestones], as such deadline may be extended as a result of a Force Majeure Event in accordance with Section 7.2(e), Seller shall be liable for Delay Liquidated Damages for each full month (with parts of a month *pro rated*) that Seller is late in satisfying the Milestone. So long as Seller is paying such Delay Liquidated Damages on a monthly basis Buyer shall not be

permitted to terminate this Agreement, provided that in no event shall the combined extensions by payment of Delay Liquidated Damages for any or all of the Milestones exceed twelve (12) months. If any Milestone has not been satisfied within twelve (12) months following the relevant Milestone deadline, or if for any reason Seller fails to pay, or discontinues paying, the monthly Delay Liquidated Damages provided for above, Seller shall have committed an Event of Default. The twelve (12) month period referred to in the prior sentence shall not be extended as a result of a Force Majeure Event.

(e) Force Majeure Event. In the event that a Force Majeure Event causes any delay in the achievement of a Milestone, such Milestone's deadline may be extended, together with any Force Majeure Event extensions for other Milestones, for a period not to exceed, in the aggregate, six (6) months. The extension of the deadline for any Milestone shall extend the deadline for all subsequent Milestones, provided that in no event shall the combined extensions for Force Majeure Events for any or all of the Milestones exceed six (6) months. The extension provided for in this Section 7.2(e) shall be the only effect of a Force Majeure Event on Seller's obligations with respect to the Milestones.

(f) Waiver of Right. Buyer may, at its discretion, grant waivers for Seller's failure to meet any of the Milestones, but in no way shall any such waiver constitute a waiver of any future failures by Seller to meet other Milestones.

7.3 Commercial Operation Performance Tests

No later than fourteen (14) days prior to conducting its Commercial Operation Performance Tests, Seller shall notify Buyer of the date on which it intends to conduct such tests. Within seven (7) days of the successful completion of Seller's Commercial Operation Performance Tests, Seller shall provide to Buyer written notification of the Commercial Operation Date, including any relevant data demonstrating that Commercial Operation has occurred. Buyer has the right to be present during any Commercial Operation Performance Test, and to receive all information, including meter and performance data associated with such tests. Seller may change the date for such tests upon written notice to Buyer, provided that Buyer has at least fourteen (14) days' notice of the date of such tests.

7.4 Performance Guaranties

(a) Availability. By noon on Wednesday of each week throughout the Term, Seller shall deliver to Buyer a report detailing the expected Availability of the Generating Facility for the next week and the actual availability of the Generating Facility for the preceding week. The report shall include any and all full or partial unit shut-downs or derations, Force Majeure Events, scheduled maintenance, forced outages, curtailments, and other events affecting Availability. Unless challenged by Buyer, Seller's report of actual Availability shall determine such Availability. If challenged, Seller's report shall be considered Seller's determination of Availability and shall not be considered evidence of actual Availability. Seller shall provide to Buyer, upon request, all information concerning Availability as Buyer may reasonably request. Seller shall, with respect to each Contract Year, maintain an Availability of ninety-five percent (95%) or more during

the Peak Months and an Availability of eighty percent (80%) or more during the Non-Peak Months. Within thirty (30) days of the end of each Peak Months and Non-Peak Months, Seller shall provide a period performance report detailing the actual Availability of the Generating Facility during the given period of months. In the event that Seller fails to meet the Availability during either the Peak Months or the Non-Peak Months of any Contract Year, Seller shall pay to Buyer within thirty (30) days of the period performance report, or, at Buyer's option (as effected by written notice to Seller within fifteen (15) days of the period performance report), Buyer may offset payments to Seller in the next monthly billing statement, an amount equal to the Availability Shortfall Damages.

(b) Expected Annual Contract Quantity.

- (i) For all resources not identified as Intermittent Resources, if during any Contract Year, other than the first and last Contract Years, Seller fails to Schedule and deliver to Buyer hereunder from the Generating Facility seventy percent (70%) or more of the Expected Annual Contract Quantity for any reason Seller shall pay to Buyer the product of (i) the positive difference between the Replacement Price and the Contract Price, and (ii) the difference between seventy percent (70%) of the Expected Annual Contract Quantity and the amount of Energy actually Scheduled and delivered.
- (ii) For all resources identified as Intermittent Resources, if during any Contract Year, other than the first and last Contract Years, Seller fails to Schedule and deliver one hundred and forty percent (140%) of the Expected Annual Contract Quantity on a rolling two (2) year basis, Seller shall pay to Buyer the product of (i) the positive difference between the Replacement Price and the Contract Price, and (ii) the difference between one hundred and forty percent (140%) of the Expected Annual Contract Quantity and the amount of Energy actually Scheduled and delivered.
- (iii) For all resources, if Seller is prevented from generating or delivering Output due to a Force Majeure Event, Seller's obligation under this Section 7.4(b) shall be reduced to the extent of such impact.
- (iv) Any dispute regarding the calculation of the Replacement Price shall be resolved in accordance with Section 11.2(d) of this Agreement.

(c) Limitations. If during any Contract Year, Seller pays to Buyer amounts under Section 7.4(a), such amounts shall be subtracted from any amounts that Seller may also owe to Buyer under Section 7.4(b); provided that the difference shall not be less than zero. The Parties recognize and agree that (i) the actual damages to Buyer for a failure by Seller to meet the required Availability or to deliver the Expected Annual Contract Quantity are difficult or inconvenient to determine, (ii) payment of amounts by Seller pursuant to this Section 7.4 is an appropriate remedy, and (iii) any such payment does not constitute a forfeiture or penalty of any kind, but rather constitutes anticipated costs to Buyer under the terms of this Agreement.

7.5 Obligation to Schedule and Deliver

- (a) Scheduling. Seller shall be responsible for designating a Scheduling Coordinator for the transmission of Energy from the Generating Facility to the Delivery Point in accordance with applicable ISO rules. The Scheduling Coordinator shall be identified in Exhibit 10 [Operations Forecasts and Scheduling Protocols]. Seller may change its Scheduling Coordinator upon thirty-five (35) days advance written notice to Buyer. Seller shall Schedule or cause to be Scheduled the Energy generated by the Generating Facility in accordance with, and shall at all times comply with, all applicable ISO requirements and the provisions of Exhibit 10 [Operations Forecasts and Scheduling Protocols].
- (b) Agreement with Transmission Provider. Seller shall, at its own cost and expense, negotiate and enter into an Interconnection Agreement and such other agreements with the Transmission Provider as needed to enable Seller to transmit Energy to the Delivery Point.
- (c) Agreements with ISO. Seller shall, at its own cost and expense, negotiate and enter into any agreements with the ISO required by the ISO for generators delivering power into the ISO-controlled grid, including a Meter Service Agreement for ISO Metered Entities and a Participating Generator Agreement.
- (d) Start-ups and Shut-downs. Seller shall coordinate all Generating Facility start-ups and shut-downs, in whole or in part, with Buyer in accordance with ISO scheduling protocols and the reasonable protocols established by Buyer that are not inconsistent with the ISO Tariff and ISO procedures, as specified in Exhibit 10 [Operations Forecasts and Scheduling Protocols].

7.6 Modifications to the Generating Facility

Seller shall obtain Buyer's written consent, which shall not be unreasonably withheld or delayed prior to making any modifications to the Generating Facility that could adversely affect Seller's or Buyer's ability to perform its obligations under this Agreement, including the delivery of the Expected Annual Contract Quantity and meeting the Availability requirements of Section 7.4. Any such modifications shall be conducted in accordance with Good Utility Practice and all applicable laws and reliability criteria, as such may be amended from time to time.

ARTICLE 8: FORCE MAJEURE

8.1 Force Majeure Events

- (a) Excuse. Subject to Section 8.2 below, and except as expressly set forth herein, neither Party shall be considered in default under this Agreement for any delay or failure in its performance under this Agreement (including any obligation to deliver or accept Output) if such delay or failure is due to a Force Majeure Event, but only to the extent that:

- (i) such Force Majeure Event is not attributable to fault or negligence on the part of that Party;
 - (ii) such Force Majeure Event is caused by factors beyond that Party's reasonable control; and
 - (iii) despite taking all reasonable technical and commercial precautions and measures to prevent, avoid, mitigate or overcome such event and the consequences thereof, the Party affected has been unable to prevent, avoid, mitigate or overcome such event or consequences.
- (b) Definition. "Force Majeure Event" may include, subject to Section 8.1(a) above and (c) below:
- (i) acts of God such as storms, floods, lightning and earthquakes;
 - (ii) sabotage or destruction by a third party of facilities and equipment relating to the performance by the affected Party of its obligations under this Agreement;
 - (iii) Transmission System or generating equipment failure;
 - (iv) war, riot, acts of a public enemy or other civil disturbance;
 - (v) strike, walkout, lockout or other significant labor dispute;
 - (vi) curtailment by the ISO, or its successor, but only to the extent that the ISO declares a "Force Majeure" under the ISO Tariff; or
- (c) Exclusion. "Force Majeure Event" does not include the following:
- (i) economic hardship of either Party;
 - (ii) an Outage, except if caused directly by an event or circumstance that meets the requirements set forth in this Section 8.1;
 - (iii) failure or delay in the granting of Permits;
 - (iv) failures or delays by the Transmission Provider or the ISO in entering into, or performing under, all agreements with Seller contemplated by this Agreement;
 - (v) curtailment or interruption of transmission services, other than by the ISO where the ISO declares a "Force Majeure" under the ISO Tariff; or
 - (vi) insufficiency, unavailability, failure, or diminishment of [*insert resource type*] resource, except as a result of an event that would otherwise qualify as a Force Majeure Event.

8.2 Conditions

In addition to the conditions set forth in Section 8.1(a) above, a Party may rely on a claim of a Force Majeure Event to excuse its performance only to the extent that such Party:

- (i) provides prompt notice of such Force Majeure Event to the other Party, giving an estimate of its expected duration and the probable impact on the performance of its obligations under this Agreement;
- (ii) exercises all reasonable efforts to continue to perform its obligations under this Agreement;
- (iii) expeditiously takes action to correct or cure the event or condition excusing performance so that the suspension of performance is no greater in scope and no longer in duration than is dictated by the problem; provided, however, that settlement of strikes or other labor disputes shall be completely within the sole discretion of the Party affected by such strike or labor dispute;
- (iv) exercises all reasonable efforts to mitigate or limit damages to the other Party; and
- (v) provides prompt notice to the other Party of the cessation of the event or condition giving rise to its excuse from performance.

8.3 Termination Due To Force Majeure Event

In addition to and without limiting any other provisions of this Agreement, if a Party is prevented from performing its material obligations under this Agreement for a period of either (i) three hundred and sixty five (365) consecutive days or more, or (ii) seven hundred and thirty (730) non-consecutive days or more (whether full or partial days), the unaffected Party may terminate this Agreement, without liability of either Party to the other, upon thirty (30) days written notice at any time during the Force Majeure Event.

ARTICLE 9: DEFAULT/REMEDIES/TERMINATION

9.1 Events of Default Generally

An “Event of Default” shall mean, with respect to each Party, the occurrence of any of the following:

- (i) the failure to make, when due, any payment required pursuant to this Agreement if such failure is not remedied within thirty (30) Business Days after written notice;

- (ii) any representation or warranty made by such Party herein is false or misleading in any material respect when made or when deemed made or repeated;
- (iii) the failure to perform any material covenant or obligation set forth in this Agreement (except to the extent constituting a separate Event of Default, and except for the obligations set forth in Section 7.4, the exclusive remedies for which are provided in such Section) if such failure is not remedied within thirty (30) days after written notice (provided that if such failure is not capable of being remedied within such period, then for such longer period as is reasonably needed to effect the remedy, not to exceed one-hundred-eighty (180) days, so long as the failing Party diligently pursues such remedy);
- (iv) the initiation of an involuntary proceeding against such Party under the bankruptcy or insolvency laws, which involuntary proceeding remains undismissed for sixty (60) days, or in the event of the initiation by such Party of a voluntary proceeding under the bankruptcy or insolvency laws;
- (v) such Party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all of its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer, the resulting, surviving or transferee entity fails to assume all the obligations of such Party under this Agreement to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other Party; or
- (vi) with respect to each Party's Guarantor, if any:
 - 1. if any representation nor warranty made by a Guarantor in connection with this Agreement is false or misleading in any material respect when made or when deemed made or repeated;
 - 2. the failure of a Guarantor to make any payment required or to perform any other material covenant or obligation in any Guaranty made in connection with this Agreement and such failure is not remedied within three (3) Business Days after written notice;
 - 3. the initiation of an involuntary proceeding against such Guarantor under the bankruptcy or insolvency laws, which involuntary proceeding remains undismissed for sixty (60) consecutive days, or in the event of the initiation by such Guarantor of a voluntary proceeding under the bankruptcy or insolvency laws;
 - 4. the failure of a Guarantor's Guaranty to be in full force and effect for purposes of this Agreement (other than in accordance with its terms) prior to the satisfaction of all obligations of such Party to which such Guaranty shall relate without the written consent of the other Party; or

5. if a Guarantor repudiates, disaffirms, disclaims, or rejects, in whole or in part, or challenges the validity of any Guaranty.

9.2 Additional Events of Default by Seller

In addition to the Events of Default in Sections 7.2 and 9.1 above, the following shall each constitute an “Event of Default” by Seller:

- (i) Seller Schedules and/or delivers to Buyer energy or other product from a resource other than the Generating Facility specified in this Agreement;
- (ii) With respect to a Generating Facility that is not identified as an Intermittent Resource, Seller fails for any reason, including as a result of a Force Majeure Event, to Schedule and/or deliver at least one-half of the Expected Annual Contract Quantity during any Contract Year, other than the first and last Contract Years;
- (iii) With respect to a Generating Facility that is identified as an Intermittent Resource, Seller fails for any reason, including as a result of a Force Majeure Event, to Schedule and/or deliver at least one-half of the Expected Annual Contract Quantity during one of any two consecutive Contract Years, not including the first and last Contract Years;
- (iv) Seller fails to satisfy the creditworthiness requirements set forth in Section 6.2 of this Agreement;
- (v) Seller sells or transfers Buyer’s share of the Output (or any individual component thereof) to any Person other than Buyer; or
- (vi) Seller fails to comply with the terms of Buyer’s right of first refusal as described in Section 3.5 of this Agreement.

9.3 Remedies; Termination for Default

(a) Termination for Default. In the event the defaulting Party fails to cure the Event of Default within the period for curative action under Sections 9.1 or 9.2, as applicable, the non-defaulting Party may terminate the Agreement by notifying the defaulting Party in writing of (i) the decision to terminate, and (ii) the effective date of the termination.

(b) Remedies. For all claims, causes of action and damages with respect to an Event of Default, in addition to the right to termination under Section 9.3(a), the non-defaulting Party shall be entitled to foreclose upon, or otherwise employ, any security provided by the defaulting Party, and to recover actual damages allowed by law unless otherwise limited by this Agreement. Neither the enumeration of Events of Default in Sections 9.1 and 9.2, nor the termination of this Agreement by a non-defaulting Party pursuant to Section 9.3(a), shall limit the right of a non-defaulting Party to rights and remedies available at law, including claims for breach of contract or failure to perform by the other

Party and for direct damages incurred by the non-defaulting Party as a result of the termination of this Agreement.

(c) Limitations. Except as otherwise specifically and expressly provided in this Agreement, neither Party shall be liable to the other under this Agreement for any indirect, special or consequential damages, including loss of use, loss of revenues, loss of profit, interest charges, cost of capital or claims of its customers or members to which service is made. Under no circumstances shall the non-defaulting Party be required to make a termination payment or other payment in respect of any damages to the defaulting Party (except for payments due under this Agreement for performance prior to termination).

9.4 Indemnification

Seller and Buyer agree to defend, indemnify, and hold each other, and their respective officers, directors, employees and agents, harmless from and against all claims, demands, losses, liabilities, and expenses (including reasonable attorneys' fees) (collectively, "Damages") for personal injury or death to persons and damage to each other's physical property or facilities or the property of any other Person to the extent arising out of, resulting from, or caused by the negligent or intentional and wrongful acts, errors, or omissions of the indemnifying Party. This indemnification obligation shall apply notwithstanding any negligent or intentional acts, errors or omissions of the indemnitees but the indemnifying Party's liability to pay Damages to the indemnified Party shall be reduced in proportion to the percentage by which the indemnitees' negligent or intentional acts, errors or omissions caused the Damages. Neither Party shall be indemnified for its Damages resulting from its sole negligence or willful misconduct. These indemnity provisions shall not be construed to relieve any insurer of its obligation to pay claims consistent with the provisions of a valid insurance policy.

9.5 Buyer's Right to Operate

If an Event of Default under Sections 9.2(ii) or 9.2(iii) occurs, then Buyer or its designee may, but shall not be obligated to, step-in and assume operational control from Seller of the Generating Facility; provided that Buyer shall not be permitted to step-in and take control so long as Seller or any of Seller's Lenders are using commercially reasonable efforts to remedy the Events of Default. Buyer, its employees, contractors and designees shall have the unrestricted right to enter the Generating Facility to the extent necessary to operate the Generating Facility. Upon the exercise of this right, Buyer or its designee shall at all times operate the Generating Facility using Prudent Utility Practice and shall comply, to the extent commercially practicable, with the terms of this Agreement. Notwithstanding the foregoing, Seller shall not be excused from any obligation or remedy available to Buyer as a result of Buyer's operation of, or election not to operate, the Generating Facility. Buyer shall pay Seller the applicable Contract Price for Output provided hereunder, less any costs incurred by Buyer to operate the Generating Facility. Buyer shall indemnify and hold Seller harmless from any liability to third parties arising out of Buyer's failure to operate the Generating Facility using Prudent Utility Practice.

Upon Buyer's satisfaction that Seller has the ability to operate the Generating Facility in accordance with this Agreement, Seller shall resume operational control.

ARTICLE 10: REPRESENTATIONS, WARRANTIES AND COVENANTS

10.1 Seller's Representations, Warranties and Covenants

Seller represents, warrants and covenants to Buyer that as of the date of execution of this Agreement:

- (i) Seller is duly organized and validly existing as a [*Seller's business registration*] under the laws of [*State of Registration*], and has the lawful power to engage in the business it presently conducts and contemplates conducting in this Agreement and Seller is duly qualified in each jurisdiction wherein the nature of the business transacted by it makes such qualification necessary;
- (ii) Seller has the legal power and authority to make and carry out this Agreement and to perform its obligations hereunder; all such actions have been duly authorized by all necessary proceedings on its part. As of the Commercial Operation Date, (a) the Generating Facility is a "qualifying small power production facility" as that term is defined in Section 3(17)(C) of the Federal Power Act, and will possess all of the exemptions from regulation provided in 18 C.F.R. Sections 292.601(c) and 292.602; or (b) Seller has market-based rate authority, and has made all filings required in connection with this Agreement, under Federal Power Act;
- (iii) throughout the Term: (a) the Generating Facility will qualify and be certified by the California Energy Commission ("CEC") as an ERR under the rules and requirements in effect as of the Effective Date; and (b) the Output delivered to Buyer will qualify as output from an ERR under the requirements of the RPS Legislation and under the rules and requirements in effect as of the Effective Date;
- (iv) this Agreement has been duly and validly executed and delivered by Seller and, as of the Effective Date, constitutes a legal, valid and binding obligation of Seller, enforceable in accordance with its terms against Seller, except to the extent that its enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally or by general principles of equity;
- (v) there are no actions, suits, proceedings or investigations pending or, to the knowledge of Seller, threatened in writing against Seller, at law or in equity before any Governmental Authority, which individually or in the aggregate are reasonably likely to have a materially adverse effect on the business, properties or assets or the condition, financial or otherwise, of Seller, or to

result in any impairment of Seller's ability to perform its obligations under this Agreement;

- (vi) Seller will deliver to Buyer at the Delivery Point the Output free and clear of all liens, security interests, claims and encumbrances or any interest therein, or thereto, by any Person.
- (vii) Seller holds and will hold throughout the Term, the rights to all Environmental Attributes and Capacity Attributes, which it has conveyed and has committed to convey to Buyer hereunder; and
- (viii) the execution, delivery and performance of this Agreement by Seller will not conflict with its governing documents, any applicable laws, or any covenant, agreement, understanding, decree or order to which Seller is a party or by which it is bound or affected.

10.2 Buyer Representations and Warranties

Buyer represents and warrants to Seller that as of the date of execution of this Agreement:

- (i) Buyer is a joint powers agency established pursuant to the laws of the State of California, and has all requisite corporate power and authority to own, lease, and operate its properties and to carry on its business as is now being conducted;
- (ii) Buyer is duly qualified or licensed to do business as a joint powers agency and is in good standing in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to be so duly qualified or licensed and in good standing would not have a material adverse effect;
- (iii) Buyer has the legal power and authority to make and carry out this Agreement and to perform its obligations hereunder and all such actions have been duly authorized by all necessary proceedings on its part;
- (iv) the execution, delivery and performance of this Agreement by Buyer will not conflict with its governing documents, any applicable laws or any covenant, agreement, understanding, decree or order to which Buyer is a party or by which it is bound or affected;
- (v) this Agreement has been duly and validly executed and delivered by Buyer and, as of the Effective Date, constitutes a legal, valid and binding obligation of Buyer, enforceable in accordance with its terms against Buyer, except to the extent that its enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally or by general principles of equity; and

- (vi) there are no actions, suits, proceedings or investigations pending or, to the knowledge of Buyer, threatened in writing against Buyer, at law or in equity before any Governmental Authority, which individually or in the aggregate are reasonably likely to have a materially adverse effect on the business, properties or assets or the condition, financial or otherwise, of Buyer, or to result in any impairment of Buyer's ability to perform its obligations under this Agreement.

ARTICLE 11: MISCELLANEOUS

11.1 Notices

All written notices, requests, statements or payments under this Agreement shall, unless otherwise specified herein, be deemed properly sent if delivered in person or sent by facsimile, reliable overnight courier, or sent by registered or certified mail, postage prepaid to the persons specified in Exhibit 12 [Contacts]. Notice by facsimile or hand delivery shall be effective at the close of business on the day actually received, if received during a Business Day, and otherwise shall be effective at the close of the next Business Day. Notice by overnight United States mail or courier shall be effective on the next Business Day after it was sent. A Party may change its addresses by providing notice of same in accordance herewith.

11.2 Dispute Resolution

(a) Arbitration or Mediation. Subject to Section 5.1(b), any dispute under this Agreement between Seller and Buyer shall, at the request of any Party, be referred to a senior representative of each of the Parties for resolution on an informal basis as promptly as practicable. In the event the senior representatives are unable to resolve the dispute, the matter may be submitted to arbitration or mediation on such terms and conditions as the Parties may agree.

(b) Litigation. In the event the Parties are unable to satisfactorily resolve the Dispute within thirty (30) calendar days of such referral or such other period as the Parties may mutually agree, subject to any extensions of time as may be mutually agreed upon in writing, or any arbitration agreement, either Party may initiate litigation in a court of law with jurisdiction pursuant to Section 11.12, which shall be the exclusive venue to litigate disputes.

(c) Remedies. Nothing in this Section 11.2 shall be construed to delay the exercise of remedies pursuant to Section 9.3 pending the resolution of any dispute.

(d) Expert Arbitration. Notwithstanding the provisions of Sections 11.2(a) or (b), disputes expressly referred for resolution under this Section 11.2(d) shall be resolved in the following manner.

- (i) Each Party shall, within fourteen (14) days of referral, appoint an expert for inclusion on the arbitral panel.

- (ii) Within fourteen (14) days of the later of such appointments, the two Party-appointed experts shall appoint a third expert. The third expert shall have at least five (5) years of experience in electricity generation and sales matters in California and shall not have been employed by either Party, including as a consultant, or have had any other financial relationship to either Party, in the last three (3) years.
- (iii) In the event that a third expert cannot be agreed upon, within such fourteen (14) day period, the Parties shall request [*Name to be determined*] to appoint the third expert.
- (iv) Within fourteen (14) days of the appointment of the third expert, each Party shall provide to the experts and the other Party such materials as it determines to be relevant to the dispute. The experts may, in their judgment, convene a hearing at which each Party may be subject to inquiry by the experts and/or the other Party; provided, however, such Party shall not be required to provide materials beyond those already provided.
- (v) The experts shall render a decision on the dispute by a simple majority vote within sixty (60) days of the selection of the third expert, and shall produce a written explanation for their decision.

11.3 Regulatory Compliance

Each Party shall at all times comply with all applicable laws, ordinances, rules and regulations applicable to it. As applicable, each Party shall give all required notices, shall procure and maintain all Permits necessary for performance of this Agreement, and shall pay its respective charges and fees in connection therewith. In the event of any change to the ISO Tariff that materially impacts either Party's obligations or ability to perform under this Agreement, either Party may request that the Parties engage in good faith negotiations to amend this Agreement such that an equitable balance of benefits and burdens may be restored to the Parties. In the event that the Parties are unable to agree upon any amendments to this Agreement within sixty (60) days of the request for negotiations, either Party may invoke the dispute resolution provisions of Section 11.2(d). Pending any resolution under Section 11.2(d), the Parties shall continue to comply with the provisions of this Agreement.

11.4 No Dedication of Facilities

Any undertaking by one Party to the other under any provision of this Agreement shall not constitute the dedication of the Generating Facility or any portion thereof to the public or to any portion thereof.

11.5 Confidentiality

All Confidential Information obtained by either Party from the other Party shall be used only in connection with such Party's exercise of its rights or performance of its obligations under this Agreement and shall not be disclosed to any third party, except as

may be required by law (including the California Public Records Act, Cal. Government Code Section 6250, etq. seq.), applicable regulation or judicial process; provided, however, that if the receiving Party is required to disclose such Confidential Information by applicable law, regulation or legal process, the receiving Party shall promptly notify the disclosing Party of such pending disclosure prior to such disclosure; provided further that Buyer may, at any time, disclose any information (i) determined by its attorney to be required by law to be disclosed by a public entity such as the Buyer, and (ii) to those of its members that receive some or all of the Output, whether directly or indirectly, from Buyer. The provisions of this Section 11.5 shall survive for three (3) years after the termination of this Agreement.

11.6 Assignment

(a) Buyer. Buyer may, without the consent of Seller (and without relieving itself from liability hereunder) assign this Agreement or assign or delegate its rights and obligations under this Agreement, if such assignment is made to: (i) one or more of its members; or (ii) where such assignment does not occur by operation of law, any successor to Buyer provided such successor is a public utility holding a certificate of public convenience and necessity granted by the California Public Utilities Commission, or a municipal utility.

(b) Seller. Seller may, without the consent of Buyer (and without relieving itself from liability hereunder): pledge, encumber, or assign this Agreement or the account, revenues or proceeds hereof as collateral security in connection with any financing or other financial arrangements for the Generating Facility, provided that in connection with any such pledge, encumbrance, or assignment, the assignee agrees that upon any foreclosure or exercise of similar remedies upon the Generating Facility or material assets thereof, such assignee shall be bound by this Agreement.

(c) Written Consent Needed. Except as stated above, neither this Agreement nor any of the rights, interests, or obligations hereunder shall be assigned by either Party, without the prior written consent of the other Party, which consent shall not be unreasonably withheld. Any assignment of this Agreement in violation of the foregoing shall be, at the option of the non-assigning Party, void.

(d) Binding on Parties. This Agreement and all of the provisions hereof are binding upon, and inure to the benefit of, the Parties and their respective successors and permitted assigns.

11.7 Waiver of Rights

Waivers of any rights hereunder must be in writing and shall not be implied from performance or usage of trade. The failure of either party to this Agreement to enforce or insist upon compliance with or strict performance of any of the terms or conditions hereof, or to take advantage of any of its rights hereunder, shall not constitute a waiver or relinquishment of any such terms, conditions or rights, but the same shall be and remain at all times in full force and effect.

11.8 Section Headings

All titles, subject headings, section titles and similar items are provided for the purpose of reference and convenience and are not intended to be inclusive, definitive or to affect the meaning of the contents or scope of the Agreement.

11.9 No Third Party Beneficiary

This Agreement shall not be construed to create rights in, or to grant remedies to, any third party (other than a permitted successor or assignee bound to this Agreement) as a beneficiary of this Agreement or any duty, obligation or undertaking established herein.

11.10 Forward Contract

The Parties acknowledge and agree that this Agreement and the transactions contemplated by this Agreement constitute a “forward contract” within the meaning of the United States Bankruptcy Code.

11.11 Applicable Law

This Agreement is made in the State of California and shall be interpreted and governed by the laws of the State of California and/or the laws of the United States, as applicable.

11.12 Venue

The Parties hereby submit to the exclusive jurisdiction of the federal courts for the Eastern District of the State of California; provided, however, that if such federal courts sitting in the Eastern District of the State of California refuse jurisdiction, the Parties agree to the exclusive jurisdiction of the state courts sitting in the County of Placer, State of California.

11.13 Nature of Relationship

The duties, obligations and liabilities of the Parties are intended to be several and not joint or collective. The Agreement shall not be interpreted or construed to create an association, joint venture, fiduciary relationship or partnership between Seller and Buyer or to impose any partnership obligation or liability or any trust or agency obligation or relationship upon either Party. A Party shall not have any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or act as or be an agent or representative of or otherwise bind the other Party.

11.14 Good Faith and Fair Dealing; Reasonableness

The Parties agree to act reasonably and in accordance with the principles of good faith and fair dealing in the performance of this Agreement. Unless expressly provided otherwise in this Agreement: (i) wherever the Agreement requires the consent, approval or similar action by a Party, such consent, approval or similar action shall not be unreasonably withheld or delayed; and (ii) wherever the Agreement gives a Party a right

to determine, require, specify or take similar action with respect to matters, such determination, requirement, specification or similar action shall be reasonable.

11.15 Severability

Should any provision of this Agreement be or become void, illegal or unenforceable, the validity or enforceability of the other provisions of this Agreement shall not be affected and shall continue in full force and effect. The Parties will, however, use their best endeavors to agree on the replacement of the void, illegal, or unenforceable provision(s) with legally acceptable clauses that correspond as closely as possible to the sense and purpose of the affected provision.

11.16 Counterparts

This Agreement may be executed in two or more counterparts and by different Parties on separate counterparts, all of which shall be considered one and the same Agreement, and each of which shall be deemed an original.

11.17 Cooperation

The Parties agree to reasonably cooperate with each other in the implementation and performance of the Agreement. Such duty to cooperate shall not require either Party to act in a manner inconsistent with its rights under this Agreement.

11.18 Limitation of Liabilities

To the extent permitted by law, no Party's directors, members of its governing bodies, officers or employees shall be liable to any other party or parties for any loss or damage to property, loss of earnings or revenues, personal injury, or any other direct, indirect, or consequential damages or injury, or punitive damages, which may occur or result from the performance or non-performance of this Agreement, including any negligence arising hereunder. Any liability or damages faced by an officer or employee of a federal agency or by that agency that would result from the operation of this provision shall not be inconsistent with federal law. THERE IS NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND ANY AND ALL IMPLIED WARRANTIES ARE DISCLAIMED. THE PARTIES CONFIRM THAT THE EXPRESS REMEDIES AND MEASURES OF DAMAGES PROVIDED IN THIS AGREEMENT SATISFY THE ESSENTIAL PURPOSES HEREOF. FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, THE OBLIGOR'S LIABILITY SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED, UNLESS THE PROVISION IN QUESTION PROVIDES THAT THE EXPRESS REMEDIES ARE IN ADDITION TO OTHER REMEDIES THAT MAY BE AVAILABLE. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN, THE OBLIGOR'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY, SUCH DIRECT ACTUAL DAMAGES

SHALL BE THE SOLE AND EXCLUSIVE REMEDY AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. UNLESS EXPRESSLY HEREIN PROVIDED, AND SUBJECT TO THE PROVISIONS OF SECTION 9.4, IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

11.19 Further Assurances

The Parties hereto agree to execute and deliver promptly, at the expense of the Party requesting such action, any and all other and further instruments, documents and information that a Party may request, and that are reasonably necessary, or appropriate, to give full force and effect to the terms and intent of this Agreement.

11.20 Time is of the Essence

Time is of the essence to this Agreement and in the performance of all of the covenants, obligations and conditions hereof.

11.21 Construction

The Parties acknowledge that this Agreement was jointly prepared by them, by and through their respective legal counsel, and any uncertainty or ambiguity existing herein shall not be interpreted against either Party on the basis that the Party drafted the language, but otherwise shall be interpreted according to the application of the rules on interpretation of contracts.

11.22 Entire Agreement; Integration

This Agreement, together with all exhibits attached hereto, constitutes the entire agreement between the Parties and supersedes any and all prior oral or written understandings. No amendment, addition to or modification of any provision hereof shall be binding upon the Parties, and neither Party shall be deemed to have waived any provision or any remedy available to it, unless such amendment, addition, modification or waiver is in writing and signed by a duly authorized officer or representative of the Parties.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives on the Effective Date first written.

BUYER:

NORTHERN CALIFORNIA POWER AGENCY

By:_____

Name:_____

Title:_____

SELLER:

[NAME OF SELLER]

By:_____

Name:_____

Title:_____

EXHIBITS

<u>Exhibit 1</u>	Buyout Payment Form
<u>Exhibit 2</u>	Description of Generating Facility
<u>Exhibit 3</u>	Commercial Operation Performance Tests
<u>Exhibit 4</u>	Contract Price
<u>Exhibit 5</u>	Credit Support Amount
<u>Exhibit 6</u>	Expected Annual Contract Quantity Form
<u>Exhibit 7</u>	Milestones
<u>Exhibit 8</u>	Guaranty Agreement
<u>Exhibit 9</u>	Letter of Credit
<u>Exhibit 10</u>	Operations Forecasts and Scheduling Protocols
<u>Exhibit 11</u>	Form of Attestation
<u>Exhibit 12</u>	Payment / Wire Instructions
<u>Exhibit 13a</u>	Contacts, Buyer
<u>Exhibit 13b</u>	Contacts, Seller
<u>Exhibit 14</u>	Seller's Insurance Information

Exhibit 1

BUYOUT PAYMENT

Contract Year	Buyout Payment in US\$
Time period prior to the Commercial Operation Date	\$ [<i>Buyout Payment Price or Formula</i>]
Contract Year 1	\$ [<i>Buyout Payment Price or Formula</i>]
Contract Year 2	\$ [<i>Buyout Payment Price or Formula</i>]
Contract Year 3	\$ [<i>Buyout Payment Price or Formula</i>]
Contract Year 4	\$ [<i>Buyout Payment Price or Formula</i>]
Contract Year 5	\$ [<i>Buyout Payment Price or Formula</i>]
Contract Year 6	\$ [<i>Buyout Payment Price or Formula</i>]
Contract Year 7	\$ [<i>Buyout Payment Price or Formula</i>]
Contract Year 8	\$ [<i>Buyout Payment Price or Formula</i>]
Contract Year 9	\$ [<i>Buyout Payment Price or Formula</i>]
Contract Year 10	\$ [<i>Buyout Payment Price or Formula</i>]
Contract Year 11	\$ [<i>Buyout Payment Price or Formula</i>]
Contract Year 12	\$ [<i>Buyout Payment Price or Formula</i>]
Contract Year 13	\$ [<i>Buyout Payment Price or Formula</i>]
Contract Year 14	\$ [<i>Buyout Payment Price or Formula</i>]
Contract Year 15	\$ [<i>Buyout Payment Price or Formula</i>]

Exhibit 2

DESCRIPTION OF GENERATING FACILITY

Name:			
Owner:			
Location:			
Equipment:			
Type of Facility :			
Delivery Point:			
Operator:			
Buyer :	NCPA	Seller :	
Name		Name	
Signature		Signature	
Date		Date	

Exhibit 3

COMMERCIAL OPERATION PERFORMANCE TESTS

Seller shall coordinate and schedule with Buyer a Performance Test after completion of all equipment startup and commissioning activities. This Performance Test may be performed before completing punch list items. Buyer shall be permitted to witness the Performance Test, including access to and copies of control room logs, control system display screens, and instrumentation data for a reasonable period of time before, during and after the Performance Test, and may also concurrently conduct a site inspection of the Generating Facility, systems and equipment. Seller shall supply a written copy of the Performance Test results to Buyer within five (5) business days following the conclusion of such test. The Performance Test shall consist of uninterrupted operation of the Generating Facility for a period of no less than [REDACTED].

1) Compliance. The Performance Test shall demonstrate the ability of the Generating Facility to comply with all material safety, system reliability, environmental, and other Requirements of Law, this Agreement, and any related agreements, including any interconnection agreements.

2) Contract Capacity. The Performance Test shall demonstrate the ability of the Generating Facility to reliably generate the full Contract Capacity.

3)

4)

[TO BE FURTHER DETERMINED]

Exhibit 4

CONTRACT PRICE

Contract Price (Choose One)	
<input type="checkbox"/> 1)	Flat Rate Pricing: The Contract Price Shall be _____ (\$/MWh).
OR	
<input type="checkbox"/> 2)	Escalated Pricing: The Contract Price Shall be _____ (\$/MWh). beginning _____ (year). The Contract Price Shall be escalated each January 1st as follows: _____
OR	
<input type="checkbox"/> 3)	Defined Prices as stated to the right.

Defined Price	
Year	Price 3) \$/MWh
2007	
2008	
2009	
2010	
2011	
2012	
2013	
2014	
2015	
2016	
2017	
2018	
2019	
2020	
2021	
2022	
2023	
2024	
2025	
2026	
2027	
2028	
2029	
2030	
2031	

Exhibit 5

CREDIT SUPPORT AMOUNT

[TO BE DETERMINED]

Exhibit 6

EXPECTED ANNUAL CONTRACT QUANTITY

Contract Year	Expected Annual Contract Quantity
<i>Contract Year 1</i>	<i>[Expected Annual Contract Quantity]</i>
<i>Contract Year 2</i>	<i>[Expected Annual Contract Quantity]</i>
<i>Contract Year 3</i>	<i>[Expected Annual Contract Quantity]</i>
<i>Contract Year 4</i>	<i>[Expected Annual Contract Quantity]</i>
<i>Contract Year 5</i>	<i>[Expected Annual Contract Quantity]</i>
<i>Contract Year 6</i>	<i>[Expected Annual Contract Quantity]</i>
<i>Contract Year 7</i>	<i>[Expected Annual Contract Quantity]</i>
<i>Contract Year 8</i>	<i>[Expected Annual Contract Quantity]</i>
<i>Contract Year 9</i>	<i>[Expected Annual Contract Quantity]</i>
<i>Contract Year 10</i>	<i>[Expected Annual Contract Quantity]</i>
<i>Contract Year 11</i>	<i>[Expected Annual Contract Quantity]</i>
<i>Contract Year 12</i>	<i>[Expected Annual Contract Quantity]</i>
<i>Contract Year 13</i>	<i>[Expected Annual Contract Quantity]</i>
<i>Contract Year 14</i>	<i>[Expected Annual Contract Quantity]</i>
<i>Contract Year 15</i>	<i>[Expected Annual Contract Quantity]</i>
<i>Contract Year 16</i>	<i>[Expected Annual Contract Quantity]</i>
<i>Contract Year 17</i>	<i>[Expected Annual Contract Quantity]</i>
<i>Contract Year 18</i>	<i>[Expected Annual Contract Quantity]</i>
<i>Contract Year 19</i>	<i>[Expected Annual Contract Quantity]</i>
<i>Contract Year 20</i>	<i>[Expected Annual Contract Quantity]</i>
<i>Contract Year 21</i>	<i>[Expected Annual Contract Quantity]</i>
<i>Contract Year 22</i>	<i>[Expected Annual Contract Quantity]</i>
<i>Contract Year 23</i>	<i>[Expected Annual Contract Quantity]</i>
<i>Contract Year 24</i>	<i>[Expected Annual Contract Quantity]</i>
<i>Contract Year 25</i>	<i>[Expected Annual Contract Quantity]</i>

Exhibit 7

CONSTRUCTION MILESTONES

[TO BE DETERMINED]

Exhibit 8

GUARANTY AGREEMENT

This Guaranty Agreement (the “Guaranty”) is made by [*Insert Guarantor’s Name*] (“Guarantor”), a [*Insert Guarantor’s business registration and location thereof*], in favor of Northern California Power Agency (individually and collectively, the “Counterparty”).

WHEREAS, Counterparty is a party to the Renewable Energy Power Purchase Agreement between Northern California Power Agency and [*Insert Seller’s Name*] (“Agreement”) with [*Insert Seller’s Name*], a subsidiary of Guarantor (the “Company”); and

WHEREAS, the Guarantor is the parent of Company, and will receive substantial and direct benefits from the transactions contemplated by the Agreement and has agreed to enter into this Guaranty to provide assurance for the payment obligations of Company in connection with the Agreement and to induce the Counterparty to enter into the Agreement.

NOW, THEREFORE, in consideration of good and valuable consideration, the adequacy, receipt and sufficiency of which are hereby acknowledged, the Guarantor hereby agrees as follows:

1. **Guaranty.** The Guarantor hereby unconditionally, irrevocably and absolutely guarantees the full and punctual payment when due (subject to written demand in accordance with Paragraph 6 below) of Company’s payment obligations arising under the Agreement, as such Agreement may be amended or modified by agreement between Company and the Counterparty from time to time (the “Guaranteed Obligations”). In addition, Guarantor shall reimburse Counterparty for all sums paid to Counterparty by Company with respect to such Guaranteed Obligations which Counterparty is subsequently required to return to Company or a representative of Company’s creditors as a result of Company’s bankruptcy, insolvency, reorganization, liquidation, receivership, or similar proceeding. The Guarantor’s obligations and liability under this Guaranty shall be limited to payment obligations only and the Guarantor shall have no obligation to perform under the Agreement, including, without limitation, to sell, deliver, supply or transport gas, electricity or any other commodity.

If all or a part of any payment made by Guarantor to Counterparty hereunder is later determined to have been improper because such amount was not actually owed by Company to Counterparty under the Agreement, Counterparty shall repay such amount to Guarantor within ten (10) business days of written demand by Guarantor together with any interest, reasonable attorneys’ fees, and/or costs of collection, if any, required by the Agreement to be paid by Counterparty in the collection of such amount.

2. **Guaranty Absolute.** The liability of Guarantor under this Guaranty shall be absolute, irrevocable and unconditional irrespective of:
 - (a) any defect or deficiency in the Agreement or any other documents executed in connection with the Agreement;
 - (b) any modification, extension or waiver of any of the terms of the Agreement;

- (c) any change in the time, manner, terms or place of payment of or in any other term of, all or any of the Guaranteed Obligations, or any other amendment or waiver of or any consent to departure from the Agreement or any other agreement or instrument executed in connection therewith;
- (d) any sale, exchange, release or non-perfection of any property standing as security for the liabilities hereby guaranteed or any liabilities incurred directly or indirectly hereunder or any setoff against any of said liabilities, or any release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Guaranteed Obligations;
- (e) except as to applicable statutes of limitation, failure, omission, delay, waiver or refusal by the Counterparty to exercise, in whole or in part, any right or remedy held by the Counterparty with respect to the Agreement or any transaction under the Agreement;
- (f) any change in the existence, structure or ownership of the Guarantor or Company, or any bankruptcy, insolvency, reorganization, liquidation, receivership, or similar proceeding affecting Company or its assets; or
- (g) subject to Guarantor's reservations in the last sentence of this Paragraph 2, any dispute between Counterparty and the Company in connection with the Guaranteed Obligations.

The obligations of the Guarantor hereunder are several and not joint with Company or any other person, and are primary obligations for which the Guarantor is the principal obligor. There are no conditions precedent to the enforcement of this Guaranty, except as expressly contained herein. It shall not be necessary for the Counterparty, in order to enforce payment by the Guarantor under this Guaranty, to exhaust its remedies against Company, any collateral pledged by Company, any other guarantor, or any other person liable for the payment or performance of the Guaranteed Obligations. This Guaranty is one of payment and not of collection and shall apply regardless of whether recovery of all such Guaranteed Obligations may be discharged, or uncollectible in any bankruptcy, insolvency, reorganization, liquidation, receivership, or similar proceeding affecting Company or its assets. This Guaranty is a continuing guaranty and shall apply to all present and future transactions entered into under the Agreement.

Without limiting Guarantor's own defenses and rights hereunder, Guarantor reserves to itself all rights, setoffs, counterclaims and other defenses to which Company is or may be entitled to arising from or out of the Agreements or otherwise, except as limited herein and except for defenses arising out of any lack of authority by Company to enter into the Guaranteed Obligations or the bankruptcy, insolvency, reorganization, liquidation, receivership, or similar proceeding affecting Company or its assets.

3. **Waiver.** Guarantor hereby waives:

- (a) except for the acceptance required from Counterparty below, notice of acceptance of this Guaranty, notice of the creation or existence of any of the Guaranteed

Obligations and notice of any action by the Counterparty in reliance hereon or in connection herewith;

- (b) notice of the entry into the Agreement between Company and the Counterparty and notice of any amendments, supplements or modifications thereto; or any waiver of consent under the Agreement, including waivers of the payment and performance of the obligations thereunder;
 - (c) notice of any increase, reduction or rearrangement of Company's obligations under the Agreement or notice of any extension of time for the payment of any sums due and payable to the Counterparty under the Agreement;
 - (d) except as expressly set forth herein, presentment, demand for payment, notice of dishonor or nonpayment, protest and notice of protest or any other notice of any other kind with respect to the Guaranteed Obligations; and
 - (e) any requirement that suit be brought against, or any other action by the Counterparty be taken against, or any notice of default or other notice be given to, or any demand be made on, Company or any other person, or that any other action be taken or not taken as a condition to the Guarantor's liability for the Guaranteed Obligations under this Guaranty or as a condition to the enforcement of this Guaranty against the Guarantor.
4. **Subrogation.** The Guarantor shall be subrogated to all rights of the Counterparty against Company in respect of any amounts paid by the Guarantor pursuant to the Guaranty, provided that the Guarantor waives any rights it may acquire by way of subrogation under this Guaranty, by any payment made hereunder or otherwise (including, without limitation, any statutory rights of subrogation under Section 509 of the Bankruptcy Code, 11 U.S.C. §509, or otherwise), reimbursement, exoneration, contribution, indemnification, or any right to participate in any claim or remedy of the Counterparty against Company or any collateral which the Counterparty now has or acquires, until all of the Guaranteed Obligations shall have been irrevocably paid to the Counterparty in full. If (a) the Guarantor shall perform and shall make payment to the Counterparty of all or any part of the Guaranteed Obligations and (b) all the Guaranteed Obligations shall have been paid in full, the Counterparty shall, at the Guarantor's request, execute and deliver to the Guarantor appropriate documents necessary to evidence the transfer by subrogation to the Guarantor of any interest in the Guaranteed Obligations resulting from such payment by the Guarantor.
5. **Notices.** All demands, notices and other communications provided for hereunder shall, unless otherwise specifically provided herein, (a) be in writing addressed to the party receiving the notice at the address set forth below or at such other address as may be designated by written notice, from time to time, to the other party, and (b) be effective upon delivery, when mailed by U.S. mail, registered or certified, return receipt requested, postage prepaid, or personally delivered. Notices shall be sent to the following addresses:

If to Counterparty:

NORTHERN CALIFORNIA POWER AGENCY
180 Cirby Way
Roseville, CA 95678
Attention: Treasurer/Controller

If to Guarantor:

[Insert Guarantor's Address]

6. **Demand and Payment.** Counterparty is not entitled to make demand upon Guarantor until a default occurs in payment of any Guaranteed Obligations by Company to Counterparty. Any demand by the Counterparty for payment hereunder shall be in writing, reference this Guaranty, reference the Guaranteed Obligations, and signed by a duly authorized representative of the Counterparty and delivered to the Guarantor pursuant to Paragraph 5 hereof. There are no other requirements of notice, presentment or demand. The Guarantor shall pay, or cause to be paid, such Guaranteed Obligations within ten (10) business days of receipt of such demand.
7. **No Waiver; Remedies.** Except as to applicable statutes of limitation, no failure on the part of Counterparty to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.
8. **Term; Termination.** This Guaranty shall continue in full force and effect from the Effective Date until all Guaranteed Obligations arising with respect to the Agreement have been fully satisfied.
9. **Assignment; Successors and Assigns.** The Guarantor shall not assign its rights hereunder without the prior written consent of the Counterparty, and any assignment without such prior written consent shall be null and void and of no force or effect. This Guaranty shall be binding upon and inure to the benefit of the each party hereto and their respective successors and permitted assigns.
10. **Amendments, Etc.** No amendment of this Guaranty shall be effective unless in writing and signed by Guarantor and Counterparty. No waiver of any provision of this Guaranty nor consent to any departure by the Guarantor therefrom shall in any event be effective unless such waiver shall be in writing and signed by Counterparty. Any such waiver shall be effective only in the specific instance and for the specific purpose for which it was given.

11. **Caption.** The captions in this Guaranty have been inserted for convenience only and shall be given no substantive meaning or significance whatsoever in construing the terms and provisions of this Guaranty.

12. **Representation and Warranties.**

The Guarantor represents and warrants as follows:

- (a) The Guarantor is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has full corporate power to execute, deliver and perform this Guaranty.
- (b) The execution, delivery and performance of this Guaranty have been and remain duly authorized by all necessary corporate action and do not contravene the Guarantor's constitutional documents or any contractual restriction binding on the Guarantor or its assets.
- (c) This Guaranty constitutes the legal, valid and binding obligation of the Guarantor enforceable against Guarantor in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditor's rights and to general equity principles.

13. **Foreign Currency Obligations.** Subject to the limitation of Guarantor's total liability set forth in Paragraph 1 hereof, the Guarantor shall make payment in the currency in which the Company is required to pay its payment obligations (the "Original Currency"). For the purposes of calculating Guarantor's total liability hereunder and applying the limitation on Guarantor's total liability, the value of the payment obligation in the Original Currency shall be converted to US Dollars by the Guarantor at the rate equal to the applicable spot exchange rate of a large commercial bank located in Canada or the United States on the date that payment is made by the Guarantor.

14. **GOVERNING LAW. THIS GUARANTY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA WITHOUT REGARD OR REFERENCE TO THE CONFLICT OF LAWS PRINCIPLES OF ANY JURISDICTION. GUARANTOR HEREBY CONSENTS TO THE NON-EXCLUSIVE JURISDICTION OF THE FEDERAL COURTS IN THE EASTERN DISTRICT, CALIFORNIA IN CONNECTION WITH ANY DISPUTE ARISING UNDER THIS GUARANTY.** However, if any provision of this Guaranty shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Guaranty.

15. **Entire Agreement and Termination of Prior Guaranty.** This Guaranty constitutes the entire agreement and understanding between Guarantor and Counterparty with respect to the Guaranteed Obligations and supersedes and replaces in its entirety any and all guaranties previously issued by Guarantor to Counterparty with respect to the Guaranteed Obligations, or any part of them.

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be duly executed and delivered by its duly authorized representative effective as of this ____ day of _____, 200[] ("Effective Date").

[*Guarantor's Name*]

By: _____

Name:

Title:

ACCEPTED AND AGREED TO
THIS ____ DAY OF _____, 200[]

By: _____

Name:

Title:

Exhibit 9

FORM OF LETTER OF CREDIT

[TO BE DETERMINED]

Exhibit 10

**OPERATIONS FORECASTS
and
SCHEDULING PROTOCOLS**

1. Annual Operations Forecast

- 1.1. No later than September 10th of each Contract Year, Seller will provide an Annual Operations Forecast detailing hourly expected generation and all proposed planned outages for the next Calendar Year. The Annual Operations Forecast for the first Calendar Year shall be provided no later than ninety (90) days prior to the Commercial Operation Date.
- 1.2. Buyer may request modifications to the Annual Operations Forecast at any time, and Seller shall use good faith efforts to accommodate Buyer's requested modifications.
- 1.3. Seller shall not conduct planned outages at times other than as set forth in its Annual Operations Forecast, unless approved in advance by Seller, which approval shall not be withheld or delayed unreasonably.
- 1.4. Seller shall not conduct planned outages during the Peak Months.

2. Short Term Operations Forecasts

2.1. Quarterly Operations Forecast

- 2.1.1. Twenty (20) days prior to beginning of each quarter, Seller shall provide a Quarterly Operations Forecast by hour of expected generation and all proposed planned outages.
- 2.1.2. Quarterly Operations Forecast will also include any requested additions or modifications to planned outages for the next twelve (12) months.
- 2.1.3. Buyer will approve or require modifications to the proposed Quarterly Operations Forecast within ten (10) calendar days of receipt of the Quarterly Operations Forecast.
- 2.1.4. If required by Buyer, Seller will provide a modified Quarterly Operations Forecast to Buyer no later than seven (7) calendar days after receipt of required modifications from Buyer.

2.2. Weekly Update

- 2.2.1. No later than 14:00 each Wednesday prior to the following week (Sunday through Saturday), Seller may provide an electronic update, in a format specified by Buyer, to the Quarterly Operations Forecast for the next seven (7) calendar

days

2.2.2. The Weekly Update shall include hourly expected generation and all proposed planned Outages.

3. Outage Detail for Annual and Short Term Operations Forecasts

3.1. Outage information provided by Seller is to include, at a minimum, start and stop time of Outage, capacity out of service (kWh), equipment out of service, and reason for the Outage.

4. General Scheduling Protocols

4.1. Daily modifications to forecasts. Unless otherwise mutually agreed, Seller may make changes to the weekly forecasts by providing such changes to Buyer prior to 08:00 two (2) Business Days before the active scheduling day.

4.1.1. Active scheduling day as determined by the WECC Prescheduling calendar.

4.1.2. Example: For power that is scheduled for generation or delivery on Thursday, March 29, changes must be submitted to Buyer no later than 08:00 on Tuesday, March 27.

4.2. Hourly modifications to active schedules. Unless otherwise mutually agreed, Seller may make changes to active schedules by providing such changes to Buyer with a minimum of four (4) hours notice before the active hour to be changed. Changes to active schedules are limited to two (2) changes per day, excluding forced outages, unless otherwise agreed to between the parties. One request for a schedule change, of one hour or multiple hours duration, constitutes one schedule change.

4.2.1. Example: For power that is scheduled for generation or delivery in hour ending 15:00 (for the period from 14:01 to 15:00), changes must be submitted to Buyer no later than 10:00.

4.3. At Seller's request, Buyer may modify generation and load schedules for unforeseen circumstances in accordance with the above scheduling timeline constraints and Buyer's Schedule Coordination Agreement.

4.4. In the absence of forecasts and schedules as required by this Agreement or this Exhibit, Buyer shall utilize the most current information provided by Seller in the development and submission of Schedules.

4.5. Daily or Hourly modifications do not modify Monthly Contractual Energy for issues related to pricing or default.

5. Additional Scheduling Protocols When NCPA is the Scheduling Coordinator

5.1. Seller is to notify NCPA of all planned or forced generation outages to ensure compliance

with ISO Outage Coordination and Enforcement Protocols.

- 5.1.1. Outage information provided by Seller is to include, at a minimum, start and stop time of Outage, capacity out of service (kW), equipment out of service, and reason for the Outage.
- 5.1.2. Planned Outages not included in the Annual Operations Forecast, the Quarterly Operations Forecast, or the Weekly Update, shall be provided by Seller to Buyer at least four (4) business days prior to the start of the requested outage.

5.2. Forced Outages

- 5.2.1. "Forced Outages" are any unplanned reduction in the capability of a generating facility.
 - 5.2.2. Forced Outages shall be reported by Seller to NCPA within twenty (20) minutes of such outages.
 - 5.2.3. Notice by Seller to NCPA of a Forced Outage shall include the reason for the outage (if known), expected duration of the outage, and the capacity reduction.
 - 5.2.4. Within forty-six (46) hours of a Forced Outage, a detailed verbal report shall be provided by Seller to NCPA specifying the reason for the outage, expected duration of such outage, capacity reduction, and actions taken to mitigate such outage.
- 5.3. Commencement of an Outage – Seller shall not begin any planned Outage without prior approval of NCPA and the ISO.
- 5.4. Return to Service – Seller shall notify NCPA immediately whenever a generating unit is returned to service.

6. When NCPA is not the Scheduling Coordinator

- 6.1. Seller shall cause its Scheduling Coordinator to provide all required Outage reporting information directly to the ISO as required by the then existing ISO scheduling protocols.

7. Notices

- 7.1. All Scheduling notices and Schedules are to be submitted to Buyer by phone, fax or email to the following persons:
 - 7.1.1. For Day Ahead Schedule changes, inform the Buyer's Pre-Scheduling Contact listed in Exhibit 13a [Contacts, Buyer].
 - 7.1.2. For Hourly Modifications, inform the Buyer's Schedule Coordinator Contact listed in Exhibit 13a [Contacts, Buyer].
 - 7.1.3. For forced Outages, inform the Buyer's Dispatcher Contact listed in Exhibit 13a

[Contacts, Buyer].

- 7.1.4. For planned Outages, inform the Buyer's Dispatcher and Supervisor of Dispatch Operations Contacts listed in Exhibit 13a [Contacts, Buyer].

8. Example Form Of Day-Ahead Schedule:

June [____], 2007

Hour Ended	Expected Capability
1	2
2	2
3	2
4	2
5	2
6	2
7	1
8	1
9	2
10	2
11	2
12	2
13	0
14	0
15	0
16	1
17	2
18	2
19	2
20	2
21	2
22	2
23	2
24	2

Expected Daily Temperatures (in Fahrenheit):

_____ Low
_____ High

Contact Information:

Scheduling Coordinator:

Facility / City:

Exhibit 11

FORM OF ATTESTATION

Environmental Attribute Attestation and Bill of Sale

[*Name of Seller*] ("Seller") hereby sells, transfers and delivers to **Northern California Power Agency** ("Buyer") the Environmental Attributes and Environmental Attributes Reporting Rights associated with the generation of the indicated energy for delivery to the grid (as such terms are defined in the Long Term Power Purchase Agreement ("Agreement")) dated [*Date*], between Buyer and Seller) arising from the generation for delivery to the grid of the energy by the Generating Facility described below:

Facility name and location: _____ *Project Name* _____ (_____ County, California)
EIA ID #: _____ CEC ID #: _____ ISO Meter ID #: _____
Fuel Type: _____ Capacity (MW): _____ Operational Date: _____

<u>Dates</u>	<u>MWhrs generated</u>	<u>Dates</u>	<u>MWhrs generated</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

in the amount of one Environmental Attribute for each megaWatt hour generated; and Seller further attests, warrants and represents as follows:

- i) to the best of its knowledge, the information provided herein is true and correct;
- ii) this transfer to Buyer is the one and only sale of the Environmental Attributes and associated Environmental Attributes Reporting Rights referenced herein;
- iii) the Facility generated and delivered to the grid the energy in the amount indicated as undifferentiated energy; and

(check one)

- ☐ iv) Seller owns the facility.
- ☐ iv) to the best of Seller's knowledge, each of the Environmental Attributes associated with the generation of the indicated energy for delivery to the grid have been generated and sold by the Facility.

This serves as a bill of sale, transferring from Seller to Buyer all of Seller's right, title and interest in and to the Environmental Attributes associated with the generation of the energy for delivery to the grid.

Contact Person: Name: _____ Phone: _____

WITNESS MY HAND,

Seller: _____

By _____
Title _____
Date: _____

Exhibit 12

PAYMENT / WIRE INSTRUCTIONS

**NORTHERN CALIFORNIA POWER AGENCY (Buyer)
WIRE INSTRUCTIONS**

The following information is to be used when wiring funds for deposit to Buyer:

U.S. Bank
ABA# 121122676
For Deposit to:
Northern California Power Agency
Acct. No. 1-534-0216-2744

For information purposes, please fax a copy of the wire instructions to Buyer at (916) 781-4255, Attention Treasurer-Controller.

_____ [*Seller's Name*] _____ (Seller)
WIRE INSTRUCTIONS

The following information is to be used when wiring funds for deposit to [*Seller's Name*]:

For Deposit to:

For information purposes, please fax a copy of the wire instructions to [*Seller's Name*] at [*Seller's phone number*], Attention [*Seller's relevant contact person*].

Exhibit 13a

NCPA (BUYER) CONTACTS

1. Contract Management

Name	Phone	Email
Dana Griffith	916-781-4219	dana.griffith@ncpa.com

2. Billing/Invoice Issues

Name	Phone	Email
Bob Caracristi	916-781-4224	bob.caracristi@ncpa.com
Mike Daniels	916-781-4205	mike.daniels@ncpa.com

3. NCPA Pre-Scheduling

Monthly, weekly and daily generation schedules are to be provided to NCPA Pre-Scheduling contacts.

Name	Phone	Email
Kevin McMahan	916-786-0123 916-781-4227	kevin.mcmahan@ncpa.com
Norm Worthington	916-786-0124	norm.worthington@ncpa.com
Don Imamura	916-781-4240	don.imamura@ncpa.com
Ken Goeke	916-781-4290	ken.goeke@ncpa.com
Pre-Scheduling (FAX)	916-781-4239	

4. NCPA Schedule Coordination

All Hour Ahead or Real-Time Schedule changes are to be provided to NCPA Scheduling Coordinator Contacts.

Name	Phone	Email
NCPA Scheduling Coordinator	916-781-4237 (FAX) 916-781-4226	SC2@ncpa.com

5. NCPA Dispatch/Outage Coordination

All Planned and/or Forced Outages of Generating Facilities are to be provided to NCPA Dispatch/Outage Coordination.

Name	Phone	Email
Dave Wilke <i>(Supervisor of Dispatch Operations)</i>	916-781-4225	dave.wilke@ncpa.com
NCPA Dispatch	916-786-3518	Dispatch@ncpa.com
NCPA Scheduling Coordinator	916-781-4237	SC2@ncpa.com
NCPA Dispatch	(FAX) 916-781-4226	

Exhibit 13b

[Name of Seller] (SELLER) CONTACTS

1. Contract Management

Name	Phone	Email
_____	_____	_____

2. Billing/Invoice Issues

Name	Phone	Email
_____	_____	_____

3. Pre-Scheduling and Dispatch/Outage Coordination

Annual, Quarterly, Weekly and Daily generation schedules:

Name	Phone	Email
_____	_____	_____
_____	_____	_____

Pre-Scheduling (FAX) _____

4. Operator and Real Time Issues

All Planned and/or Forced Outages of generation facilities are to be provided to NCPA Dispatch/Outage Coordination.

Name	Phone	Email
_____	_____	_____

(FAX) 916-781-4226

Exhibit 14

SELLER'S INSURANCE INFORMATION

[TO BE DETERMINED]

RESOLUTION NO. 2008-_____

A RESOLUTION OF THE LODI CITY COUNCIL
AUTHORIZING THE CITY MANAGER TO EXECUTE A
NORTHERN CALIFORNIA POWER AGENCY (NCPA)
GREEN POWER PROJECT AMENDED 3RD PHASE
AGREEMENT

=====

WHEREAS, the City of Lodi ("City") is a municipal utility and an electrical "Load Serving Entity" within the California electrical transmission grid; and

WHEREAS, the City desires to increase the utilization of renewable energy resources as part of its power mix strategy and has previously adopted a local Renewable Portfolio Standard (RPS); and

WHEREAS, the City is ready, willing and able to purchase power supplies through NCPA power purchase agreements and physical assets which generate electricity using renewable resources; and

WHEREAS, the NORTHERN CALIFORNIA POWER AGENCY (NCPA) is ready willing and able to enter into power purchase agreements and acquire physical assets which generate electricity using renewable resources on behalf of the City to assist in meeting the goals of its RPS; and

WHEREAS, City is desirous of joining the NCPA Green Power Pool (NGPP) to assist the City in meeting its RPS and other renewable power goals, reducing reliance on fossil fuels and their associated fuel price volatilities, assisting the State of California in meeting its renewable energy goals, lowering delivery risk by spreading energy deliveries across multiple projects, avoiding duplication of efforts, and achieving economies of scale; and

WHEREAS, changes in the green power market have hindered the acquisition of green power resources; and

WHEREAS, the NCPA Commission on November 29, 2007 approved the Amended NGPP 3^d Phase Agreement which addresses certain green market issues; and

WHEREAS, the Amended NGPP 3^d Phase Agreement will better enable the City through NCPA to negotiate and enter into power purchase agreements and investigate and pursue the acquisition of physical assets to generate electricity using renewable resources.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby authorize (i) the City Manager to execute a Northern California Power Agency Green Power Project Amended 3^d Phase Agreement and (ii) the Electric Utility Director, or his/her designee, to represent the City in administering the Agreement in accordance with its terms.

Dated: January 16, 2008

=====

I hereby certify that Resolution No. 2008-_____ was passed and adopted by the City Council of the City of Lodi in a regular meeting held January 16, 2008, by the following vote:

AYES: COUNCIL MEMBERS –

NOES: COUNCIL MEMBERS –

ABSENT: COUNCIL MEMBERS –

ABSTAIN: COUNCIL MEMBERS –

RANDI JOHL
City Clerk



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolution of the Lodi City Council Ratifying the Employment Agreement Extension between the City Manager and Electric Utility Director George Morrow

MEETING DATE: January 16, 2008

PREPARED BY: City Manager

RECOMMENDED ACTION: Adopt Resolution ratifying the employment agreement extension with Electric Utility Director George Morrow.

BACKGROUND INFORMATION: Electric Utility Director George Morrow, entered into a two-year employment agreement with the City effective January 23, 2006 to January 22, 2008. As the end of that term is approaching and Mr. Morrow's service is of significant value to the City, it is recommended that his contract be renewed as referenced in the attached agreement.

The extended Agreement mirrors the terms of his original contract, setting forth a two-year term with one automatic two-year extension and a six-month severance package in the event he is terminated without cause during the term of the contract. The only change is to provide the City Manager the authority to grant up to a maximum of a five percent salary increase at the end of the first two-year term.

FISCAL IMPACT: Salary costs as approved in the annual budget.

Blair King, City Manager

Approved: _____
Kirk Evans, Budget Manager

APPROVED: _____
Blair King, City Manager

RESOLUTION NO. 2008-_____

A RESOLUTION OF THE LODI CITY COUNCIL
RATIFYING THE EMPLOYMENT AGREEMENT
EXTENSION BETWEEN THE CITY MANAGER AND
ELECTRIC UTILITY DIRECTOR GEORGE MORROW

=====

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby Ratify the Employment Agreement Extension between the City Manager and Electric Utility Director George Morrow; and

BE IT FURTHER RESOLVED that the terms of the extended Agreement sets forth a two-year term with one automatic two-year extension and a six-month severance package in the event he is terminated without cause during the term of the contract; and

BE IT FURTHER RESOLVED that the extended Agreement further authorizes the City Manager to grant up to a maximum of a five percent salary increase at the end of the first two-year term.

Dated: January 16, 2008

=====

I hereby certify that Resolution No. 2008-_____ was passed and adopted by the City Council of the City of Lodi in a regular meeting held January 16, 2008, by the following vote:

AYES: COUNCIL MEMBERS –

NOES: COUNCIL MEMBERS –

ABSENT: COUNCIL MEMBERS –

ABSTAIN: COUNCIL MEMBERS –

RANDI JOHL
City Clerk

2008-_____

EMPLOYMENT AGREEMENT

**Executive Management
Exempt Service**

Electric Utility Director

THIS AGREEMENT entered into on January 16, 2008, by and between the CITY OF LODI, a municipal corporation (hereinafter referred to as "City") and George F. Morrow, an individual (hereinafter referred to as "Employee").

WHEREAS, Employee has served as Electric Utility Director from January 23, 2006 to January 22, 2008 and City desires to continue to employ the services of Employee as Electric Utility Director; and

WHEREAS, Employee desires to continue to serve as Electric Utility Director for the City beginning January 23, 2008; and

WHEREAS, City and Employee agree in writing to the terms and conditions of employment as Electric Utility Director; and

WHEREAS, Employee and City agree and acknowledge that Employee's employment as Electric Utility Director is his sole and exclusive employment with City, and that their employment relationship is governed solely and exclusively by this Agreement.

NOW, THEREFORE, in consideration of the promises and conditions set forth herein, the parties mutually agree as follows:

1. Employment: City agrees to employ Employee as Electric Utility Director, in accordance with the following provisions:

(a) Employee shall serve as Electric Utility Director, and shall be responsible for managing and directing the operations of the Electric Utility Department in accordance with an agreed upon performance plan.

(b) Employee shall perform his duties to the best of his ability in accordance with the highest professional and ethical standards of the profession and shall comply with all general rules and regulations established by the City.

(c) Employee shall not engage in any activity which is or may become a conflict of interest, prohibited contract, or which may create an incompatibility of office as defined under California law. Employee shall comply fully with his reporting and disclosure obligations under regulations promulgated by the Fair Political Practices Commission (FPPC).

(d) Employee agrees to remain in the exclusive employ of the City during the term of this Agreement. Employee shall dedicate his full energies and qualifications to his employment as Electric Utility Director, and shall not engage in any other employment except as may be specifically approved in writing in advance by the City Manager.

2. Maintenance of Professional Expertise: To promote continued professional growth and benefit to the City, Employee shall, at City expense and consistent with budgetary constraints: maintain membership in professional organizations related to city utility administration and related professional disciplines; attend workshops, seminars and other similar activities designed to advance Employee's professional development; and, represent the City in professional associations and other organizations.

3. Term: The term of the Agreement shall be for a period of two (2) years, commencing January 23, 2008, until terminated by either party in accordance with the provisions set forth in Paragraph 4, or until terminated by the event of the death or permanent disability of Employee. This Agreement will be automatically renewed one time for an additional two (2) year period on the same terms and conditions if neither party gives notice of intent to not renew it at least six (6) months prior to its expiration. This Agreement may also be renewed with amendments by the City Manager and Employee, at any time prior to its expiration. Any amendments to or renewals of this Agreement beyond the first automatic renewal shall require Council consent.

4. Resignation or Termination:

(a) Employee may resign at any time and agrees to give City at least 30 days advance written notice of the effective date of his resignation. In such event, Employee shall not be entitled to severance pay as provided in Paragraph 5 herein.

(b) The parties recognize and affirm that Employee may be terminated by the City Manager with cause, which shall mean gross insubordination, incapacity, dereliction of duty, conviction of a crime involving acts of moral turpitude or involving personal gain to him, or material breach of this Agreement. In such event, Employee shall not be entitled to severance pay as provided in Paragraph 5 herein.

(c) The parties recognize and affirm that Employee may be terminated by the City Manager without cause. In such event, Employee shall be entitled to severance pay as provided in Paragraph 5 herein.

(d) In the event of termination and in recognition of Employee's professional status and integrity, Employee and the City Manager shall prepare a joint public statement to be made by the City Manager. This employment relationship is based on the mutual respect between the parties and a desire to maintain the highest degree of professionalism. In communicating with third parties about the parties' employment relationship and the circumstances under which it may have been severed, the parties shall (a) protect and advance their mutual respect and professionalism, and (b) refrain from making statements that would negatively impact either party.

(e) Employee may choose to resign or retire his office instead of being terminated if agreed to by the City Manager. In such an event the public announcement, as provided for in Paragraph 4 (d) above, will note Employee has resigned or retired. The provisions of Paragraph 4 (d) shall remain applicable.

5. Severance Pay: If Employee is terminated by the City Manager during the initial or any renewed term of this Agreement without cause while still willing and able to perform the duties of Electric Utility Director, City agrees to pay Employee a cash payment equal to six (6)

months' aggregate salary and the City's cost of six (6) months' health insurance benefits subject to reduction as set forth in this Paragraph 5. The severance payment will be paid over time at the same time as other employees of the City are paid and subject to customary withholdings. In the event Employee retains new employment during the six month severance period, any remaining severance payment will be forfeited as of the date Employee begins his new Employment. To be eligible for such severance pay, Employee shall fulfill all of his obligations under this Agreement, and shall sign an Acknowledgment and Release of Claims against the City. Payment under this paragraph will release City from any further obligations under this Agreement, or any other transaction between the parties.

6. Employment as Department Head is Sole Employment with City: Employee further represents and acknowledges that his employment as Electric Utility Director is his sole and exclusive employment with the City. Employee has no right to any other exempt position with the City, or to any employment in the classified service.

7. Salary:

- (a) City agrees to pay Employee \$159,171 in salary per annum for his services, payable in installments at the same time as other employees of the City are paid and subject to customary withholding.
- (b) In the event this agreement continues beyond the initial two year term, a salary increase of up to five percent (5%) may be granted by the City Manager effective each January 23 with a satisfactory performance evaluation

8. Benefits: The City shall provide Employee the same benefits as provided to management employees in accordance with the terms of the Executive Management Statement of Benefits dated 1998 and as they may be amended, increased or decreased, except as modified herein. These are the sole and exclusive benefits to be provided to Employee. Any improvement or modification of such benefits may only be made by written instrument signed by the City Manager. As used herein, benefits include, but are not limited to: vacation, sick leave, holidays, administrative leave, retirement, vision insurance, health insurance, dental insurance, long term disability insurance and life insurance. Employee's vacation leave shall be calculated as if Employee was in his sixth year of employment (i.e., Employee shall accrue fifteen days of vacation per year increasing from there as provided in the Executive Management Statement of Benefits.) Employee will also earn and accumulate sick leave and vacation as provided in the Executive Management Statement of Benefits.

9. Performance Evaluation: The City Manager shall review and evaluate the performance of Employee each year and set goals and objectives for the ensuing year. Such review and evaluation shall be in accordance with specific criteria developed in the performance plan in consultation with Employee and the City Manager.

10. Assignment: Employee shall not assign any of the duties and responsibilities, or obligations of this Agreement except with the express written consent of the City Manager.

11. Authority to Work in the United States: Employee represents, under penalty of perjury, that he is authorized to work in the United States. In accordance with §274A (8 USC 1324) of the Immigration Reform and Control Act of 1986 before this Agreement can become

effective, Employee must provide documentary evidence to City consistent with the Act, that he is legally entitled to work in the United States, and must execute the verification required by that Act.

12. Cell Phone/Vehicle: Employee will be provided with a Cell Phone for employment related use at the City's expense on terms consistent with other Executive Managers. Employee will be provided with a City vehicle.

13. Not Used

14. Notice: All notices required herein shall be sent first class mail to the parties as follows:

To **CITY**:

City of Lodi
P. O. Box 3006
Lodi, CA 95241-1910

To **EMPLOYEE**:

George Morrow
1516 Sylvan Way, # 510
Lodi, CA 95242

Notice shall be deemed effectively served upon deposit in the United States mail. Either party may change the address notices are to be sent to them by notifying the other party in writing of such change.

15. Entire Agreement: This Agreement contains the entire agreement between the parties hereto. No promise, representation, warranty, or covenant not included in this Agreement has been or is relied on by any party hereto. This Agreement may only be amended by written instrument signed by Employee and the City Manager and specifically approved by the City Council in open session.

{ CONTINUED ON NEXT PAGE }

16. Severability: If any provision of this Agreement is invalid or unenforceable, it shall be considered deleted herefrom and the remainder of this Agreement shall be unaffected and shall continue in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Agreement the day and year written above.

EMPLOYEE

By: _____

CITY OF LODI, a municipal corporation

By: _____
Blair King
City Manager

ATTEST:

By: _____
Randi Johl
City Clerk

APPROVED AS TO FORM:

Steve Schwabauer
City Attorney



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolution Amending Memorandum of Understanding between the City of Lodi and the Police Officers Association of Lodi for the Period of October 9, 2007 through October 8, 2011

MEETING DATE: January 16, 2008

PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: Adopt resolution amending Memorandum of Understanding between the City of Lodi and the Lodi Police Officers Organization for the period of October 9, 2007 through October 8, 2011.

BACKGROUND INFORMATION: The Memorandum of Understanding (MOU) between the City of Lodi and the Police Officers Association of Lodi (POAL) expired on October 8, 2007. As directed by City Council through the City Manager, representatives from the POAL, City staff, and an outside negotiator (Bill Avery from Avery and Associates) began negotiations for the purpose of amending the MOU. The recommended elements of the MOU (as included in the attached tentative agreement, marked Exhibit A) are as follows:

- The first year of the MOU includes no Cost of Living Adjustments or any other salary modifications.
 - Effective October 9, 2008, employees of the POAL shall receive a minimum salary increase of 10% plus an amount that shall be a net percentage that is derived by comparing the salary of Sergeants with Police Officers that will maintain a 20% differential between the top steps of the two positions.
 - Salary adjustments on October 9, 2009 and October 9, 2010, shall be based on maintaining a 20% differential between Sergeants salaries (as surveyed) and Police Officers salaries. If General Fund revenues do not increase by at least 1% between the fiscal years preceding the dates of these adjustments, then POAL and the City of Lodi will reopen negotiations with regard to salary and benefits.
 - The Performance Incentive Bonus (PIB) will be changed to a loyalty incentive, which will be based on the number of years of service (either 10 years or 20 years) and the amounts to be received will remain the same \$1,500 at 10 years and \$3,000 at 20 years.
 - The amount of compensatory time to be carried on the books will be adjusted to be no more than 240 hours instead of the current amount of 100 hours.
 - Medical fringe benefits for employees opting out of the agreed upon health benefit program will be adjusted to ½ of the health insurance benefit being paid into the employee's deferred compensation account.
 - Negotiations regarding health insurance contributions shall be opened if the PORAC trust becomes available.
 - All other elements of the MOU remain unchanged.
-

APPROVED: _____
Blair King, City Manager

These terms include paying the bargaining unit employees based on market conditions and at the same time gives the City of Lodi an opportunity to re-negotiate should its financial condition change dramatically. Although General Fund revenues have not increased by less than 1% at any time over the last few years, staff is recommending that this escape clause be included in order to allow for the possibility of revenue declines in the last three years of the MOU.

FISCAL IMPACT:

The current year salary modifications as recommended would impact the General Fund by approximately \$400,000 per year. In subsequent years, the impact would vary depending on the results of total compensation surveys to be completed in those years. If revenues do not materialize, then the fiscal impact would vary depending on renegotiated terms in subsequent years.

FUNDING AVAILABLE:

The increase of \$400,000 to salary and benefits will not occur until fiscal year 2008-09. Upon City Council approval, the 2008-09 budget would incorporate this increase.

James R. Krueger, Deputy City Manager

JRK

Attachments

Police Officers Association of Lodi

Article I-Salary and Term

Article 1.1

Effective October 9, 2008 employees shall receive increases of 10.0%

Article 1.2

Effective October 9, 2008 employees shall receive an additional percentage (in addition to the amount determined by applying Article 1.1) shall be determined by comparing the Police Officer's salary with the salary for Sergeant's salary (as surveyed and compared to salaries of comparable agencies) as of October 9, 2008 and reducing the amount (as calculated for the Sergeant position) by 20%. (City to provide side letter explaining calculations to occur on this date).

Article 1.3

Effective October 9, 2009 employees shall receive an amount that shall be determined by comparing the Police Officer's salary with the salary for Sergeants salary (as surveyed and compared to salaries of comparable agencies) as of October 9, 2009 and reducing the amount (as calculated for the Sergeant position) by 20%. If General Fund Revenues do not increase by at least 1% (using audited revenues for the year ended June 30, 2008 in comparison with audited revenues for the year ended June 30, 2009) , then POAL and the City of Lodi will reopen negotiations with regard to salary and benefits.

Effective October 9, 2010 employees shall receive an amount that shall be determined by comparing the Police Officer's salary with the salary for Sergeants salary (as surveyed and compared to salaries of comparable agencies) as of October 9, 2010 and reducing the amount (as calculated for the Sergeant position) by 20%. If General Fund Revenues do not increase by at least 1% (using audited revenues for the year ended June 30, 2009 in comparison with audited revenues for the year ended June 30, 2010) , then POAL and the City of Lodi will reopen negotiations with regard to salary and benefits.

Article XIV (replace Performance Incentive Bonus with the following)

Additional Compensation/Loyalty Program

After completing ten years of service with the Lodi Police Department, employees will receive an annual loyalty compensation amount of \$1,500 in November of the year following completion of ten years of service and each year thereafter until completing twenty years of service with the Lodi Police Department. Employees who have completed twenty years of service with the Lodi Police Department will receive an

annual loyalty compensation amount of \$3,000 on November of the year following completion of twenty years of service and each year thereafter.

For purposes of this article, all employees who as of October 31st meet the service level requirements (either ten full years or twenty full years from the first day of the month in which they started their employment with the City of Lodi Police Department) will receive the loyalty awards associated with their years of service with the Lodi Police Department.

Article V (5.2)

No more than ~~100~~ 240 hours of compensatory time may be carried on the books at any time.

Article 34.1

Increase the medical fringe benefit for employees opting out of the agreed upon health benefit to ½ of the benefit's cost paid to the employee's deferred compensation account.

Article 34.X

Reopen negotiations when PORAC trust becomes available.

Article 41.1

Increase ABT account to 800 hours

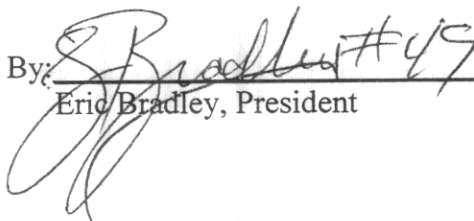
Article LII-Term

The terms and conditions of this MOU shall continue in effect during the term of this MOU. The City of Lodi and POAL agree that the term is October 9, 2007 through October 8, 2011

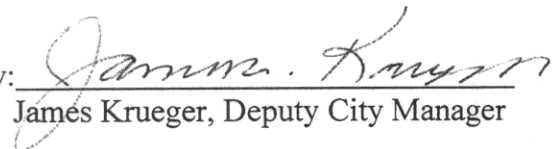
This Tentative Agreement only represents the tentative agreement of the negotiating parties. In order for it to become binding and effective it must first be approved by the Lodi City Council and the membership of the POAL.

POAL

THE CITY OF LODI, a municipal
corporation

By:  #45
Eric Bradley, President

Sierra Brucia, Police Corporal

By: 
James Krueger, Deputy City Manager

By:

Dean Gualco, Human Resources Manager

Calculation of Police Officer's Salaries in relation to Sergeant's salaries

As of October 9, 2008, October 9, 2009 and October 9, 2010 Police Officer's salaries will be calculated based upon a survey that compares the median of the total compensation for the nine comparative cities to the City of Lodi Police Lieutenant's salaries and then the following calculations will be used to arrive at an adjustment to the salaries of Police Officers:

- 1) The median for the highest step salary for lieutenants of the nine comparable cities shall be compared to the highest step lieutenant's salary of Lodi.
- 2) The amount as established in step 2 shall be divided by 1.20 to establish the salary for sergeants.
- 3) The amount as established in step 3 shall be divided by 1.20 to establish the salary for police officers.
- 4) As of October 9, 2008, the increase in Police officers salaries as established in step 4 shall be no less than 10%.
- 5) At salary adjustment dates subsequent to October 9, 2008, steps 1-3 shall be used and there will be no minimum adjustment as stipulated in step 4.

RESOLUTION NO. 2008-_____

A RESOLUTION OF THE LODI CITY COUNCIL
AMENDING THE MEMORANDUM OF UNDERSTANDING
WITH THE POLICE OFFICERS ASSOCIATION OF LODI

=====

WHEREAS, representatives from the City of Lodi and Police Officers Association of Lodi have bargained in good faith for the purpose of amending certain articles of the Memorandum of Understanding; and

NOW, THEREFORE, BE IT RESOLVED by the Lodi City Council that it does hereby amend the Memorandum of Understanding as follows:

Article I-Salary

1.1 Removed and replaced as follows:

Effective October 9, 2008 employees shall receive increases of 10.0%.

1.2 Removed and replaced as follows:

Effective October 9, 2008 employees shall receive an additional percentage (in addition to the amount determined by applying Article 1.1) shall be determined by comparing the Police Officer's salary with the salary for Sergeant's salary (as surveyed and compared to salaries of comparable agencies) as of October 9, 2008 and reducing the amount (as calculated for the Sergeant position) by 20%.

1.3 Removed and replaced as follows:

Effective October 9, 2009 employees shall receive an amount that shall be determined by comparing the Police Officer's salary with the salary for Sergeants salary (as surveyed and compared to salaries of comparable agencies) as of October 9, 2009 and reducing the amount (as calculated for the Sergeant position) by 20%. If General Fund Revenues do not increase by at least 1% (using audited revenues for the year ended June 30, 2008 in comparison with audited revenues for the year ended June 30, 2009) , then POAL and the City of Lodi will reopen negotiations with regard to salary and benefits.

1.4 Added:

Effective October 9, 2010 employees shall receive an amount that shall be determined by comparing the Police Officer's salary with the salary for Sergeants salary (as surveyed and compared to salaries of comparable agencies) as of October 9, 2010 and reducing the amount (as calculated for the Sergeant position) by 20%. If General Fund Revenues do not increase by at least 1% (using audited revenues for the year ended June 30, 2009 in comparison with audited revenues for the year ended June 30, 2010) , then POAL and the City of Lodi will reopen negotiations with regard to salary and benefits.

Article XVI ~~Performance Incentive Bonus~~ Additional Compensation/Loyalty Program

Remove and replace as follows:

After completing ten years of service with the Lodi Police Department, employees will receive an annual loyalty compensation amount of \$1,500 in November of the year following completion of ten years of service and each year thereafter until completing twenty years of service with the Lodi Police Department. Employees who have completed twenty years of service with the Lodi Police Department will receive an annual loyalty compensation amount of \$3,000 on November of the year following completion of twenty years of service and each year thereafter.

For purposes of this article, all employees who as of October 31st meet the service level requirements (either ten full years or twenty full years from the first day of the month in which they started their employment with the City of Lodi Police Department) will receive the loyalty awards associated with their years of service with the Lodi Police Department.

Article V Compensatory Time

5.2 is amended as follows:

No more than ~~400~~ 240 hours of compensatory time may be carried on the books at any time.

Article XXXIV

34.1 is amended as follows:

If an employee elects not to be covered by medical insurance an additional ~~\$100~~ amount will be added to equal one-half of the medical insurance premium that would have been paid by the City of Lodi (had insurance coverage been provided to the employee) will be added to the at a level equal to the level that

Article XLI Association Time

41.1

The amount of association time that may be contributed by members is amended to a maximum of 800 hours.

Article LII-Term

52.1 is removed and replaced as follows:

The terms and conditions of this MOU shall continue in effect during the term of this MOU. The City of Lodi and POAL agree that the term is October 9, 2007 through October 8, 2011

Date: January 16, 2008

=====

I hereby certify that Resolution No. 2008-_____ was passed and adopted by the Lodi City Council in a regular meeting held January 16, 2008, by the following vote:

AYES: COUNCIL MEMBERS –

NOES: COUNCIL MEMBERS –

ABSENT: COUNCIL MEMBERS –

ABSTAIN: COUNCIL MEMBERS –

RANDI JOHL
City Clerk

2008-_____



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolution Amending Memorandum of Understanding between the City of Lodi and the Lodi Professional Firefighters for the Period July 1, 2007 through December 31, 2009

MEETING DATE: January 16, 2008

PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: Adopt Resolution amending Memorandum of Understanding between the City of Lodi and the Lodi Professional Firefighters (LPF) for the period July 1, 2007 through December 31, 2009. As directed by City Council through the City Manager, representatives from the LPF, City staff and an outside negotiator (Bill Avery from Avery and Associates) began negotiations for the purpose of amending the MOU. The recommended elements of the MOU (as included in the attached tentative agreement, Exhibit A) are as follows

BACKGROUND INFORMATION: The Memorandum of Understanding (MOU) between the City of Lodi and the Lodi Professional Firefighters (LPF) expired on June 30, 2007. The recommended elements of the MOU (as included in the attached tentative agreement, Exhibit A) are as follows:

- Effective July 1, 2007 employees shall receive a salary increase of 8%.
- Effective on January 1, 2008 salaries will be adjusted by 4.5%.
 - The weighted average of these first two increases is 10.25%.
- Effective January 1, 2009 salaries will be adjusted by a minimum of 3.5% and a maximum of 5.0% based on the Consumer Price Index (CPI-W) for San Francisco wage earners.
- Members of LPF will have the option to cash out vacation time in excess of two tours of duty on November of each year.
- LPF and the City of Lodi will meet and confer on entry level minimum qualifications for firefighters.
- The survey cities to be used in future MOU negotiations will be the same nine cities as used by the Lodi Police Officers Association and Lodi Police Mid-management.
 - Currently the MOU indicates that 15 cities are used for surveys.
- LPF and the City of Lodi will meet and confer for the purpose of eliminating from the MOU any obsolete language.
- All other elements of the MOU remain unchanged.

These terms do not include a survey of comparable cities. However, the increases in the first year do correlate closely to the comparable amounts paid (including salaries, health insurance, retirement

APPROVED: _____
Blair King, City Manager

contributions and other relevant compensation items) in the 15 other cities currently included the MOU as comparison cities.

FISCAL IMPACT: The current year salary modifications as recommended, would impact the General Fund by approximately \$350,000 per year. Future years will be impacted in the range of \$500,000-\$600,000 to year depending upon the Consumer Price Index adjustment as proposed.

FUNDING AVAILABLE: The increase of \$350,000 to salary and benefits is included in the current year budget. Pending the action taken by the City Council, the Fire Department budget will be adjusted to reflect the salary and benefit adjustments incorporated within the MOU amendments.

James R. Krueger, Deputy City Manager

Attachments

Lodi Professional Firefighters Proposal 6

Article VIII-Salary

Article 8.1

Increase all salaries for all positions by 8% retroactive to July 1, 2007. Retroactivity includes base salaries and all other items that are calculated using base pay.

Increase all salaries for all positions by 4.5% January 1, 2008.

Article 8.2

As of January 1, 2009 increase salaries based on the CPI-W index for San Francisco. The CPI increase shall be no less than 3.5% and no greater than 5%.

Article 8.3

The terms and conditions of this MOU shall continue in effect during the term of this MOU. The City of Lodi and LPF agree that the term is July 1st, 2007 through December 31, 2009

Cash out Vacation time

Members of LPF will have the option of cashing out any vacation time in excess of two tours of duty. Members must utilize at least two tours of their vacation time each year. Members shall request a cash out of vacation time by November 15th of each year and will receive the payout of vacation time at straight time pay and by December 31st of each year.

Miscellaneous

LPF and the City of Lodi will meet and confer on entry level minimum qualifications.

LPF and the City of Lodi agree to meet and confer on eliminating or clarifying obsolete language in the MOU.

LPF and the City of Lodi agree to meet and confer on determining nine cities to be used for future surveys in place of the fifteen that are currently included in Article 8.4.

Article XXXX

40.1 This MOU cover the period form July 1, 2007 through December 31, 2009

LPF

City of Lodi

RESOLUTION NO. 2008-_____

A RESOLUTION OF THE LODI CITY COUNCIL AMENDING
THE MEMORANDUM OF UNDERSTANDING WITH LODI
PROFESSIONAL FIREFIGHTERS ASSOCIATION

=====

WHEREAS, representatives from the City of Lodi and Lodi Professional Firefighters have bargained in good faith for the purpose of amending certain articles of the Memorandum of Understanding; and

NOW, THEREFORE, BE IT RESOLVED by the Lodi City Council that it does hereby amend the Memorandum of Understanding as follows:

Article VIII-Salary is replaced and amended to read as follows:

8.1 Removed and replaced with the following:

Increase all salaries for all LPF positions by 8% retroactive to July 1, 2007. Retroactivity includes base salaries and all other pay items that are calculated using base pay.

Increase all salaries for all positions by 4.5% January 1, 2008.

8.2 Removed and replaced with the following:

As of January 1, 2009 increase salaries based on the CPI-W index for San Francisco. The CPI increase shall be no less than 3.5% and no greater than 5%.

8.3 Removed and replaced with the following:

The terms and conditions of this MOU shall continue in effect during the term of this MOU. The City of Lodi and LPMO agree that the term is July 1, 2007 through December 31, 2009.

Article XIX- Vacation

19.6 Added as follows:

Members of LPF will have the option of cashing out any vacation time in excess of two tours of duty. Members must utilize at least two tours of their vacation time each year. Members shall request a cash out of vacation time by November 15th of each year and will receive the payout of vacation time at straight time pay and by December 31st of each year.

Article XXXX Term

40.1 Removed and replaced as follows:

This MOU covers the period form July 1, 2007 through December 31, 2009.

Date: January 16, 2008

=====

I hereby certify that Resolution No. 2008-_____ was passed and adopted by the Lodi City Council in a regular meeting held January 16, 2008, by the following vote:

AYES: COUNCIL MEMBERS –
NOES: COUNCIL MEMBERS –
ABSENT: COUNCIL MEMBERS –
ABSTAIN: COUNCIL MEMBERS –

RANDI JOHL
City Clerk

2008-_____



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Affirm Project Nominations for San Joaquin Council of Governments' One Voice Trip

MEETING DATE: January 16, 2008

PREPARED BY: City Manager

RECOMMENDED ACTION: Affirm Highway 12 safety and Harney Lane/Highway 99 interchange projects as the City of Lodi's nominations for the San Joaquin Council of Governments' One Voice trip.

BACKGROUND INFORMATION: The San Joaquin Council of Governments (COG) is developing regional priorities in preparation for the annual "One Voice" lobbying trip to Washington, D.C., from April 6-11, 2008. Between the Council reorganization meeting and holiday schedule conflicts with regular meetings, staff has not had the opportunity to bring the project choices to the City Council before COG's January 8, 2008 nomination deadline. The invitation to nominate projects was not received by the City until November 5, 2007. The City Council is being asked at this time to affirm the nomination.

SJCOG invited the City to submit two projects for consideration: One regional transportation project and one local project, transportation or otherwise. The grant request is limited to \$5 million, as noted in the COG evaluation criteria checklist.

Staff nominated funding for safety improvements on Highway 12, focusing on Lower Sacramento Road to Interstate 5, as the regional project priority. The San Joaquin County Board of Supervisors on December 11, 2007, selected Highway 12 corridor improvements, from Lower Sacramento Road west to the county line as San Joaquin County's top regional transportation project. That project, which would widen the entire stretch to four lanes and widen bridges to boost safety and relieve congestion, is estimated to cost \$115 million.

Lodi views Highway 12 between the City limits and Interstate 5 as the region's highest transportation priority. High-speed collisions occur frequently not only between highway drivers and motorists attempting to cross Highway 12 at Davis and DeVries Roads, but also between oncoming vehicles. Widening the road to four lanes and adding other improvements would reduce the likelihood of fatal collisions, which numbered 10 between Lodi and Fairfield in 2007 and some 70 since 2000, according to media reports. In a 2006 study, Caltrans estimated the cost of widening Highway 12 to four lanes from Lower Sacramento Road to Flag City at \$23.8 million in two stages. The first, costing \$13.3 million, would install mile-long passing lanes between Lodi and I-5. The second, costing \$10.5 million, would complete the project to four lanes.

Staff notes the Board of Supervisors' selection of the Highway 12 corridor as the County's No. 1 priority is unique. The county has long focused on transportation projects in the Stockton area and in southwestern

APPROVED: _____
Blair King, City Manager

San Joaquin County, and the backing of a Lodi-area project presents an opportunity for Lodi to partner with San Joaquin County in addressing safety concerns on what is frequently called "Blood Alley."

For the local project nomination, staff selected reconstruction of the Harney Lane interchange at State Route 99. Reconstruction of the interchange, which has an outdated design and poor operating conditions, is estimated to cost \$30 million. The interchange is important to the local and regional economy as critical linkage of the adjacent Blue Shield office complex and future retail commercial uses at Reynolds Ranch. Most of the required right-of-way has already been acquired, and design is scheduled to begin in 2009. A \$5 million grant from the federal government would be matched with \$25 million in local funding.

FISCAL IMPACT: None.

Blair King
City Manager

Attachments: Letter from SJCOG and instructions for submitted projects

San Joaquin One Voice 2008
Instructions for Submitting Your Regional Priority Projects

Included are three forms:

- Appropriations Request Form
- Evaluation Criteria Check List for Prioritizing Transportation Priority Projects for Federal Appropriations Requests
- Evaluation Criteria Check List for Prioritizing Other Priority Projects for Federal Appropriations Requests

(Electronic versions of the forms and checklists are available upon request.)

In order to submit projects that are regionally significant and defined, the San Joaquin Council of Governments has developed criteria to address transportation and other regional projects. Please use these lists in the selection of your projects and include with your completed Sample Appropriations Request Form.

- 1) Complete Sample Appropriations Request Form for each submittal. Submit up to TWO projects*:
 - One Regional Transportation Priority Project, and
 - One Local Priority Project (either transportation or other)

*San Joaquin County and City of Stockton may submit up to THREE projects--two Regional Transportation Projects and one Local Project.
- 2) Include a completed Evaluation Criteria Check Lists for evaluating your project requests for each project submitted.
- 3) Include a digital photo or graphic of your project request to be included on the project brochure page that will be used during the San Joaquin One Voice trip.

Please allow sufficient time for submission to your respective councils or boards and return to the San Joaquin Council of Governments by Tuesday, **January 8, 2008**. Projects will be reviewed by SJCOG staff and the SJCOG Executive Committee with a recommendation to the full SJCOG Board.

Please submit a hard copy to:

San Joaquin Council of Governments
Attn: Nicole Gorham
555 East Weber Avenue
Stockton, CA 95202

Please also submit package via email to: ngorham@sjcog.org.

Contact Nicole Gorham with any questions at 209-468-3913 or ngorham@sjcog.org.



SAN JOAQUIN COUNCIL OF GOVERNMENTS

555 E. Weber Avenue • Stockton, California 95202

209.468.3913 • 209.468.1084 (fax)

www.sjcog.org

October 31, 2007

RECEIVED
NOV 05 2007
City Clerk
City of Lodi

Victor Mow
CHAIR

Ed Chavez
VICE CHAIR

Andrew T. Chesley
EXECUTIVE DIRECTOR

Member Agencies

CITIES OF
ESCALON,
LATHROP,
LODI,
MANTECA,
RIPON,
STOCKTON,
TRACY,
AND
THE COUNTY OF
SAN JOAQUIN

Mayor Bob Johnson
City of Lodi
P.O. Box 3006
Lodi, CA 95241-1910

Dear Mayor Johnson:

The San Joaquin Council of Governments is once again putting together a regional list of legislative priorities for the annual San Joaquin One Voice trip to be held April 6-11, 2008.

This year we will be following the same SJCOG Board approved process as in 2007; we ask that your jurisdiction submit two projects:

- one regional transportation project; and
- one local project, transportation or otherwise.

Instructions and checklists are included to help in project selection and submission. Keep in mind that we need each section of the appropriations forms answered completely. It is important that we provide detailed information about our projects, particularly the description and local/state contributions that will be applied to the project, as this information is critical when federal funding decisions are being made.

We request that your staff complete the enclosed form and checklists for each project and submit to our office by **January 8, 2008**. Please mail the forms to SJCOG, attn: Nicole Gorham, 555 E. Weber Avenue, Stockton, CA 95202. For an electronic version of the form, checklists and instructions; please send a request to ngorham@sjcog.org. If you have questions, please call Ms. Gorham at 468-3913.

Please be aware that each local jurisdiction may also endorse projects by a third party organization or non-profit to also be considered by the SJCOG Board for inclusion on the regional list. These projects would need to go before your board or council and be approved prior to submission to the San Joaquin Council of Governments.

Page 2, City of Lodi

Your participation in San Joaquin One Voice is instrumental for our continued success. One Voice strengthens our ability to be heard as a unified delegation at the federal level.

Sincerely,



ANDREW T. CHESLEY
Executive Director

cc: Councilman Larry Hansen
Mr. Blair King, City Manager

Enc.



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Request from San Joaquin Partnership for \$25,000 to serve as a Partial Match for a Grant for the Stockton Metropolitan Airport

MEETING DATE: January 16, 2008

PREPARED BY: City Manager

RECOMMENDED ACTION: Deny the request from the San Joaquin Partnership for \$25,000 to serve as a partial match for a grant for the Stockton Metropolitan Airport.

BACKGROUND INFORMATION: Attached is a letter from the San Joaquin Partnership requesting that Lodi commit \$25,000 to serve as part of a matching grant for the Stockton Metropolitan Airport.

The County of San Joaquin has submitted a \$400,000 grant application for the Stockton Airport. The grant requires a match of \$400,000. The purpose of the grant is to provide marketing and revenue guarantees to a main line air carrier with direct hub service. The Council of Governments (COG) in April agreed to provide the required match. However, COG has requested that the San Joaquin Partnership seek additional support in order to reduce COG's obligation. In response to COG's request, San Joaquin Partnership has secured \$100,000 from San Joaquin County and hopes to secure \$100,000 each from the private sector and the City of Stockton. They hope to secure \$25,000 each from the cities of Lodi, Lathrop, Manteca, and Tracy.

Either the Stockton Airport is a regional transportation facility, in which case, COG should consider funding, or it is an enterprise activity which should provide a return on investment. If the City were being asked to make an equity contribution towards an enterprise activity, then more details of return on investment should be provided

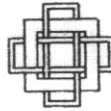
FISCAL IMPACT: Not applicable

FUNDING: Not applicable

Blair King, City Manager

Attachment

APPROVED: _____
Blair King, City Manager



SAN JOAQUIN PARTNERSHIP

A Private Non-Profit Economic Development Corporation Serving San Joaquin County

DEC 10 2007
CITY OF STOCKTON

December 6, 2007

Blair King
Manager – City of Lodi
PO Box 3006
Lodi, CA 95241

Re: Local Match; Small Community Air Service Development Program

Dear Blair,

In April, the San Joaquin Council of Government Board of Directors approved allowing the Stockton Metropolitan Airport Director to include \$400,000 from San Joaquin Council of Government as the local match for a Small Community Air Service Development Program Grant Application. The County has received notice of award in the full amount of \$400,000 the grant is to provide marketing and revenue guarantees to a main line air carrier with direct hub service.

To date presentation to Delta Airlines in March 2007 has been positive with discussed direct service to their Salt Lake City Hub. However, Delta may not be the committed carrier however, it is the level of service these funds are intended to attract.

The San Joaquin Council of Governments in April approved the \$400,000 local match for documentation to submit the grant within a very tight time frame. The Board members requested other agencies and the private sector be approached to reduce the San Joaquin Council of Government commitment.

Since April the Board of Supervisors has allocated \$100,000 to the match and there has been an additional \$100,000 discussed which is pending formal approval.

The intent at this time is to pursue the following distribution of the local match.

San Joaquin County	\$100,000	
City of Stockton	\$100,000	
City of Lathrop, Lodi, Manteca, and Tracy	\$100,000	
Private Sector	<u>\$100,000</u>	\$400,000
FAA Grant (allocated)		<u>\$400,000</u>
Small Community Air Service Development Program		\$800,000

As a confirming part of this effort to bring scheduled Airline Service (minimums 2 daily, 7 days a week) to the Stockton Metropolitan Airport we are requesting each of our four cities to participate with a commitment of \$25,000. I continue to work on getting confirmation with the City of Stockton and generating private sector participation of \$100,000.

After your review of this request please contact me as to our next step related to the request of the City Council consideration.

Sincerely,

Michael E. Locke, President/CEO



CITY OF LODI COUNCIL COMMUNICATION

TM

AGENDA TITLE: Post for One Vacancy on the Lodi Arts Commission and Re-Post for Remaining Three Vacancies on Said Commission

MEETING DATE: January 16, 2008

PREPARED BY: City Clerk

RECOMMENDED ACTION: Direct the City Clerk to post for one vacancy on the Lodi Arts Commission and to re-post for the three remaining vacancies on said Commission.

BACKGROUND INFORMATION: The City Clerk's Office received a letter of resignation from Lodi Arts Commissioner, Cynthia Inman (filed). In addition, the City Clerk's Office, on a number of occasions, has posted for the three remaining vacancies on the Lodi Arts Commission. Over the course of these multiple postings, only one application has been received. It is recommended that the new vacancy be posted and the remaining three vacancies be re-posted (as shown below) for another 30-day period, with the posting dates to remain open until filled if an insufficient number of applications is received.

Lodi Arts Commission

Post:

Cynthia Inman Term to expire July 1, 2008

Re-Post:

Two Vacancies Terms to expire July 1, 2008

One Vacancy Term to expire July 1, 2010

Government Code Section 54970 et seq. requires that the City Clerk post for vacancies to allow citizens interested in serving to submit an application. The City Council is requested to direct the City Clerk to make the necessary postings.

FISCAL IMPACT: None.

FUNDING AVAILABLE: None required.

Randi Johl
City Clerk

RJ/JMP

APPROVED: _____
Blair King, City Manager



TM

CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Monthly Protocol Account Report

MEETING DATE: January 16, 2008

PREPARED BY: City Clerk

RECOMMENDED ACTION: None required, information only.

BACKGROUND INFORMATION: The City Council, at its meeting of July 19, 2000, adopted Resolution No. 2000-126 approving a policy relating to the City's "Protocol Account." As a part of this policy, it was directed that a monthly itemized report of the "Protocol Account" be provided to the City Council.

Attached please find the cumulative report through December 31, 2007.

FISCAL IMPACT: N/A

FUNDING AVAILABLE: See attached.

Randi Johl
City Clerk

RJ/JMP

Attachment

APPROVED: _____
Blair King, City Manager

PROTOCOL ACCOUNT SUMMARY
FISCAL YEAR 2007-08

Cumulative Report through December 31, 2007

Date	Vendor	Description	Amount	Balance
				Starting Bal. \$12,000.00
7/19/07	Smart & Final	Cookies and water for special joint meeting w/RDA and Planning Commission (7/19/07)	\$ 34.98	
8/8/07	Paper Direct	Invitation paper for B/C Reception	61.93	
8/21/07	Arthur's Party World	Bags & ribbon for B/C Reception favors	30.69	
8/21/07	Target	Candy for B/C Reception favors	14.98	
8/21/07	UPS Store	Copies of covers for B/C Reception program	37.50	
8/29/07	Arthur's Party World	Confetti for tables for B/C Reception	16.38	
9/4/07	Lakewood Liquors	Wine for the B/C Reception	158.91	
9/5/07	Touch of Mesquite	Catering services for the B/C Reception	1,830.67	
9/14/07	Baudville	Favors for the B/C Reception	287.25	
9/14/07	Presenta Plaque	Presentation boards for certificates of recognition	222.89	
10/1/07	Weigums Nursery	Centerpieces for B/C Reception	123.64	
10/24/07	C. Sanders Emblem	Customized Lodi Cloisonne pins (round, purple City pins)	364.34	
11/30/07	Lasting Impressions	Engraving – 2 plates for Community Service Award perpetual plaque	25.50	
11/30/07	Lasting Impressions	Mayor's plaque and 2 Community Service Award plaques	141.21	
12/6/07	Smart & Final	Ice for reorganization reception	3.22	
12/10/07	Touch of Mesquite	Catering services for reorganization reception	871.70	
12/12/07	Chalet Florist	Flowers sent to injured firefighter on behalf of Council	61.96	
12/19/07	Jan's Sweet Treasures	Cookies for Council holiday deliveries to all City departments	525.00	
			Total Expenditures: (\$ 4,812.75)	Ending Bal. \$7,187.25

Prepared by: JMP



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Consider the Request from San Joaquin County Supervisor Ken Vogel Seeking Financial Assistance for the Development of an Armstrong Road Agricultural/Cluster Zoning Classification.

MEETING DATE: January 16, 2008

PREPARED BY: City Manager

RECOMMENDED ACTION: Direct the City Manager to negotiate with County Administrator Manuel Lopez and recommend a level of funding for subsequent Council consideration.

Alternative Recommendation: Provide an immediate and direct response from the City Council with regard to participation and the level of financial contribution.

BACKGROUND INFORMATION: As the Council is aware, the Board of Supervisors, at the request of certain property owners, is considering establishing an Armstrong Road Agricultural Cluster Zoning Classification. According to San Joaquin County, the purpose of this zoning classification is to promote a buffer between the cities of Lodi and Stockton within the unincorporated area between the two cities. According to County staff, it is estimated that the County will incur approximately \$300,000 in costs to proceed with the development of this zoning district.

Attached is a letter from Fourth District Supervisor Ken Vogel inviting the City of Lodi to participate in the development of this new zoning district and to share in the costs.

It is recommended that Council direct the City Manager to negotiate with County Administrator Manuel Lopez in order to develop a recommendation for future Council consideration. This recommendation is premised upon the assumption that the Council is not willing to contribute \$300,000, but would be willing to consider a figure less than this amount. Additionally, it is assumed that the Board of Supervisors, as a whole, is reluctant to proceed with the development of this new zoning designation, but would be more favorably disposed if costs were shared by Lodi. Furthermore, it is assumed that the City Council desires to have a roll in the development of the specifics of the zoning district if this zoning designation is pursued.

Nevertheless, the reaction to Supervisor Vogel's request is a policy decision of the Council and reasonable arguments can be made for and against various responses. As an alternative to the recommendation, the Council may wish to directly provide an immediate response with regard to any form of participation, financially or in any other fashion. If the Council wishes to respond now, it would forgo the opportunity to assess the potential reaction of the Board of Supervisors that would be provided through the City Manager negotiating with the County Administrator.

FISCAL IMPACT: The correspondence suggests that \$300,000 is the maximum level of financial participation; a lower level of participation may be feasible but is unknown. Funds have not been budgeted.

Blair King, City Manager

cc: Supervisor Ken Vogel
County Administrator Manuel Lopez

APPROVED: _____
Blair King, City Manager

Board of Supervisors
222 East Weber Ave
Courthouse, Room 701
Stockton, California 95202

KEN VOGEL
Representing the Fourth District

Telephone: (209) 468-3113
Fax: (209) 468-3694

Denise Warmerdam
Legislative Assistant

December 7, 2007

Mayor JoAnne Mounce
City of Lodi
221 W. Pine Street
Lodi, CA 95240

Dear Mayor Mounce:

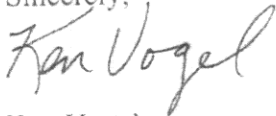
Armstrong Road Agricultural Cluster Zoning Classification

On June 5, 2007, the Board of Supervisor heard a presentation by Ms. Kerry Sullivan, San Joaquin County Community Development Director regarding the creation of a new zoning designation. The proposed Armstrong Road Agricultural/Cluster Zoning Classification, which if implemented, would be within the area one-half mile north and one-half mile south of Armstrong Road from State Route 99 to Interstate 5. The intent of this zoning classification is to promote a buffer area between the cities of Lodi and Stockton which would remain primarily agriculture. Ms. Sullivan estimated that if the Armstrong Road Agricultural/Cluster Zoning Classification is initiated and processed, the required application and Environmental Impact Report would cost approximately \$300,000.

The County is currently exploring the feasibility of creating the new zoning which includes identifying potential funding sources. The proposed zoning would provide significant benefits to the City of Lodi and the landowners within the zone boundaries. It would help to maintain a compact urban form surrounded by agricultural uses and open space. The purpose of this letter is to ask whether the City of Lodi is willing to help fund the cost of creating the new zoning designation as well as the City's desire to participate in the formulation of parameters of the zone.

Please advise, at your earliest convenience, regarding the City's position on both the funding and participation. If you have any questions regarding this matter please contact me at (209) 468-3113 or Manuel Lopez, County Administrator at (209) 468-3203.

Sincerely,



Ken Vogel
San Joaquin County Board of Supervisors
Fourth District

KV:PK:abm

c: Board of Supervisors
Kerry Sullivan, Community Development Director
Blair King, City Manager

BL12-01



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolution Approving Amendment to Woodbridge Irrigation District Water Purchase Agreement

MEETING DATE: January 16, 2008

PREPARED BY: Public Works Director

RECOMMENDED ACTION: Adopt a resolution approving an amendment to the Woodbridge Irrigation District Water Purchase Agreement.

BACKGROUND INFORMATION: In 2003, the City entered into a water purchase agreement with Woodbridge Irrigation District (WID) to purchase a long-term water supply. The 40-year agreement provides the City with 6,000 acre-feet annually (about 1/3 of our current demand) and provides a three-year “banking” period in which water is paid for but not utilized. Banked water would be provided to the City as available during the later years of the agreement (see Agreement, Exhibit A).

As it became obvious that the City would not make use of the water within the three-year banking term, City and WID staff began discussions about extending the term. The WID Board approved a four-year extension with strong encouragement that the City construct facilities to treat and directly use the water. The City concurred and has begun the planning process for a surface water treatment facility.

City and WID staff has prepared the attached amendment to the 2003 agreement (Exhibit B) to memorialize the four-year extension and address other issues as described below. In addition, the District has been negotiating a similar water sale agreement with the City of Stockton.

The following elements are the major changes to the Agreement:

- In Section 2, WID is providing a water supply connection with their fish screen project which will allow the City to construct pumping facilities within the District’s right of way in Woodbridge. This will allow for a smaller diameter (and less expensive) transmission pipe from the connection at the WID fish screen to the planned treatment plant site. It will also reduce the area needed for the facility.
- Section 3 covers availability of additional water and potential sharing with Stockton.
- Section 4 covers the extended term but also includes new provisions that strengthen renewal of the agreement in 2047.
- Section 5 provides for assurance of additional WID water should the City annex lands within the District.
- Section 6 provides more flexibility to the City to utilize the water during a dry year.
- The 2003 agreement, in Section 4(c), gives the City a first right of refusal should WID consider sale of additional water to another entity. WID and the City of Stockton have been negotiating a sale similar to the Lodi sale. The proposed amendment, in Section 7 waives that right of first

APPROVED: _____
Blair King, City Manager

refusal. Staff feels this is appropriate as the City is not in a position to economically utilize the additional water, and the benefit of Stockton's using this surface water in lieu of groundwater will benefit the entire groundwater basin. Staff has reviewed the District's draft sale agreement with the City of Stockton. While there are some technical differences between it and Lodi's agreement, they mainly refer to delivery details to Stockton. The main portions of the agreement (price, dry-year curtailment, provisions for additional water with newly annexed land) are identical to the Lodi agreement as revised.

- Section 8 extends the "bank" by four years, to a total of 42,000 acre-feet (from three years/ 18,000 acre-feet).
- Section 9 clarifies use of WID right-of-way.
- Section 10 provides that the District may install water quality improvements at the City's pump stations, to the City's approval.

Staff has also reviewed both agreements with attorney Dan O'Hanlon, who has been advising the City on water rights issues. Overall, staff believes the amendment, and the District's sale to Stockton, are good for overall management of the groundwater basin and our limited water resources.

FISCAL IMPACT: None.

FUNDING AVAILABLE: Not applicable.

Richard C. Prima, Jr.
Public Works Director

RCP/pmf

Attachments

cc: Anders Christensen, Woodbridge Irrigation District
Dan O'Hanlon, KMTG
Wally Sandelin, Deputy Public Works Director/City Engineer
Charlie Swimley, Water Services Manager

AGREEMENT FOR PURCHASE OF WATER FROM THE WOODBIDGE IRRIGATION DISTRICT BY THE CITY OF LODI

This Agreement is made and entered into between Woodbridge Irrigation District and the City of Lodi, adjoining entities located within the County of San Joaquin, State of California, this 13th day of May, 2003.

Background Recitals.

a. The City of Lodi obtains its municipal water supply from wells located within the City, extracting the water from the underground aquifer, which is replenished in part by flows of the Mokelumne River. Lodi desires to acquire a supplemental surface water supply to avoid being wholly dependent upon the wells and the possible impacts of eventual overdraft of the groundwater supply.

b. Woodbridge Irrigation District (District or WID) is an irrigation district that is organized and existing under Division 11 of the California Water Code (Sections 20,500 et seq). The District is located immediately west of the City of Lodi and immediately north of the City of Stockton. The District diverts water from the Mokelumne River at Woodbridge Dam, located in the NE 1/4 of the SE 1/4 of Section 34, Township 4 N, Range 6 E, MDBM, for irrigation of a net area of 19,370.3 acres within a gross area of 40,441.77 acres and located within Townships 2 N, 3 N, 4 N and 5 N, Ranges 5 E, 6 E and 7 E, MDBM.

c. The District diverts its water supply from the Mokelumne River under pre-1914 appropriative rights for the diversion of water up to 300 cubic feet per second (cfs). The District's pre-1914 rights are overlapped by the District License No. 5945 for the appropriation of 300 cfs per annum from February 1 to October 31 for irrigation use, supplemented by License No. 8214 for the diversion of an additional 114.4 cfs from May 1 to August 31 of each year and from November 1 of each year to January 31 of the succeeding year. The combined rights under the two Licenses together with the District's pre-1914 rights are limited to a maximum diversion of 414.4 cfs.

d. The District, following the East Bay Municipal Utility District's (EBMUD) building of the Pardee and Camanche Reservoirs on the Upper Mokelumne River, entered into Agreements with EBMUD in 1938 after Pardee's completion and again in 1965 after the completion of Camanche, which acknowledged the priority of some of the District rights to the EBMUD rights, and under which agreements EBMUD releases a Regulated Base Supply of water each year from Camanche Reservoir for diversion by the District at Woodbridge Dam for irrigation use.

e. The District's demand for water from the Mokelumne River under its water rights has begun to diminish by reason of the District's water conservation programs, including the conversion of field furrow and flood irrigation methods of application to water applied by drip irrigation and micro-sprinklers, which reduce the amount of applied water for crops. There has also been a reduction in the delivery of irrigation water by reason of the number of irrigated acres being reduced as a result of urbanization of District lands.

f. By reason of the anticipated reductions in water usage within the District, the District has determined that it will have surplus water in certain amounts available under its water entitlements from the Mokelumne River, and the water that would be delivered to the City by this Agreement is surplus to the current needs of the landowners and water users within the District as required by Section 22259 of the Water Code. The District's South Main Canal traverses the westerly portion of the City of Lodi, and the District could deliver water diverted from the Mokelumne River under its water rights to Lodi at a mutually agreeable location along the District Canal System.

g. The water is diverted by the District at Woodbridge Dam, with diversions being facilitated during the irrigation season by the installation of flashboards in the Dam. The flashboards are removed after the end of the irrigation season for Dam maintenance and Dam safety. When the flashboards are in place, water backs up into Lodi Lake and the City's Lodi Park Lake. The Lake is used for fishing, boating and recreational purposes by inhabitants of the City, and its presence during the summer months is an enhancement to the City's Lodi Park Lake. During the periods that the flashboards are not in the Dam, the Lake level is lowered and its utility for fishing, recreation and boating is reduced.

h. Because of its age, it is necessary for the District to replace the existing Woodbridge Diversion Dam in order to provide greater security and protection against dam failure. In doing so, and in reliance on this Agreement, the District intends, subject to any requirements of the Division of Safety of Dams, that the replacement dam structure will be designed and constructed so that water can be impounded behind the dam year round. The estimated cost for replacement of the Dam and appurtenances is approximately \$20,000,000.

i. The City of Lodi desires to contract with the District for the purchase of water from the District for use within the City service area, for which the City will pay on the basis and pursuant to the conditions hereinafter set forth.

NOW, THEREFORE, WOODBRIDGE IRRIGATION DISTRICT
(DISTRICT) AND THE CITY OF LODI (CITY) AGREE AS FOLLOWS:

1. Water to be Made Available to City, and Payment. Beginning in the calendar year which first follows the entry of a final judgment confirming the validity of this Agreement pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure, and continuing through the term of this Agreement, the District shall make available to the City out of its Regulated Base Supply under its Agreement with EBMUD, 6,000 acre feet per annum under the terms and conditions herein set forth. In consideration thereof, the City will pay the District annually the sum of ONE MILLION TWO HUNDRED THOUSAND DOLLARS (\$1,200,000.) Payments thereon of \$300,000 quarterly are due and payable in advance beginning on the first day of each calendar quarter, commencing on the first day of the calendar year which follows said entry of a final judgment confirming the validity of this Agreement. Said payments shall be made irrespective of whether the City takes the water made available to it under this Agreement and irrespective of whether the District has water available for delivery to the City, provided that the District shall make its best efforts to provide to the City the amounts of water provided for in this Agreement.

Prior to the commencement of the first full calendar year following the entry of said final judgment, i.e., in the year in which the entry of the final judgment occurs, the City shall make quarterly payments to the District of \$300,000 on the first day of each calendar quarter in that year which follows the entry of the final judgment by more than thirty days, in consideration for which one-fourth of 6,000 acre feet of water shall be made available to the City in the that initial year for each calendar quarter for which such payment is made. Any of such water which is not taken by City in that initial year shall be included as a part of the 18,000 acre feet of carryover water which the City may take at a later date as provided for in paragraph 6a. hereof.

2. Construction of New Dam by Woodbridge. The District has secured the required permits from the Federal and State agencies and the necessary environmental clearances for the construction of a new Woodbridge Dam to replace the existing Dam together with appurtenant facilities, and the District will proceed with construction as soon as is feasible utilizing the revenues to be paid under this Agreement to finance a portion of the costs of the project.

3. Point of Delivery and Time of Delivery. The District agrees to deliver the water to the City at a point or points on the District's Canal at a mutually agreeable location or locations, to be determined at a later date. The water will be delivered during the period from March 1 through October 15. The City shall construct at its sole cost and expense the facilities needed to measure and take delivery of water from the District Canal, and the design, construction and operation thereof shall be approved by the District. The City will be responsible for all costs of operation, repair, maintenance and replacement of such facilities. The measurement facilities shall be recalibrated annually at the City's

expense as requested by the District and the District shall have a continuing right to test the accuracy of such facilities.

a. The City shall provide the District, by January 1 of each year, an estimate of the maximum amount of water anticipated to be needed by the City during each month of that year from March 1 through October 15, which scheduling will be subject to the District's approval. The District will supply such water on said approved monthly schedule pursuant to and as limited by the terms, conditions and limitations of this Agreement; provided that the City shall to the extent that its operations will permit, schedule the taking of as much of its entitlement to water from the District that year prior to July 1 as is feasible, but in any event not less than 3,000 acre feet.

b. At such times as it is possible for the District to deliver water during the remaining months of the year, or to deliver water in excess of 6,000 acre feet during the period from March 1 through October 15, then by mutual agreement of the parties, delivery of such water to the City may be made by the District. The City shall pay the District \$100 per acre foot for any such additional water delivered to the City.

c. The water furnished by the District under this Agreement shall be used or furnished by the City only for domestic, municipal, industrial, irrigation and other beneficial uses.

d. The District further agrees that it will, during the term of this Agreement at the City's request, divert from the Mokelumne River at the District's Woodbridge Dam and wheel and convey through the District's canal system to the City's delivery point(s), any non-District water acquired by or available to the City, subject to the District having available capacity for that purpose and subject to the City paying a per-acre-foot charge in an amount which the District determines to be its costs for such service. The District's cost for such service in year 2003 would be \$20 per acre-foot.

e. Commencing on January 1 of the seventh year following the year in which execution of this Agreement occurs, the amounts payable to the District under paragraph 1, and the amounts payable to the District under subparagraphs 2.b. and 2.d., shall be increased by two percent per year above the amounts payable during the preceding calendar year. In the event that the annual change in the Consumer Price Index (CPI-W, unadjusted U.S. average) published in December of each year by the United States Bureau of Labor Statistics, commencing in December in the year preceding such seventh year, has increased more than two (2) percent above the December Index of the prior year, the increases in the amounts payable in the ensuing year shall be in the percentage of that increase; provided that any such annual increase shall not exceed five percent (5%).

f. The payments by the City to the District under this Agreement shall be deemed to include the payment during the term of the Agreement of all District groundwater recharge fees on parcels within the City of Lodi which are also located within the boundary of the District.

4. Term of Agreement. (a) This Agreement shall be effective from the date of execution hereof, and shall remain in effect for a term of forty (40) years from said date.

(b) Upon receipt by the District of written notice and request for renewal from the City at least two years in advance of the termination of the Agreement, the District agrees to negotiate with the City for a renewal of this Agreement for an additional forty (40) year term, on terms and conditions that are reasonable and equitable and which are satisfactory to the District.

(c) The District agrees that it will not enter into any agreement during the initial term of this Agreement to provide water to others outside of the District except upon terms which provide that such supply shall be subordinate to the City's rights to be furnished water under this Agreement (except as the City may otherwise specifically agree to). The parties may contract for the delivery of additional amounts of water that may become available upon terms mutually agreeable to the parties. The City shall have a first right of refusal to purchase any water which the District agrees during the initial term of this Agreement to provide to any other purchaser, upon the same terms and conditions provided in such other proposed sale of water.

5. City Payments to be Made from City's Water System Revenues. The City shall make payments under this Agreement solely from the Revenues of, and as an operating expense of, the Lodi Municipal Water System. The City hereby pledges the Revenues to the payments required hereunder. Nothing herein shall be construed as prohibiting the City from using any other funds and revenues for purposes of satisfying any provisions of this Agreement. So long as the City is in compliance with all of its obligations hereunder, such pledge shall not prevent its application of Revenues to other operating expenses of the Lodi Municipal Water System or, subject to the payment of such operating expenses, to other lawful purposes, or impair the rights of any recipient of Revenues lawfully so applied.

"Revenues" means "all gross income and revenue received or receivable by the City from the ownership and operation of the Lodi Municipal Water System, which gross income and revenue shall be calculated in accordance with generally accepted accounting principles, including all rates, fees, and charges received by the City for water service and connection and hook-up fees and all other income and revenue howsoever derived by the City from the ownership and operation of or arising from the Lodi Municipal Water System, but excluding in all cases any proceeds or taxes and any refundable deposits made to establish credit,

federal or state grants, or advances or contributions in aid of construction".

"Lodi Municipal Water System" means "the municipal water system of the City existing on the effective date of this Agreement and all additions, betterments, extensions and improvements thereto hereafter acquired or constructed".

6. City Cooperation in District's Funding of Reconstruction of Woodbridge Dam.

The City agrees to cooperate with District in connection with any financing undertaken by District in connection with the reconstruction of the Woodbridge Diversion Dam and to provide to District such certificates, statements and information as District shall reasonably require in connection with such financing, including, without limitation, information relating to the Lodi Municipal Water System and the Revenues, and to provide such information as may be reasonably required in connection with the continuing disclosure undertaking to be entered into by the City pursuant to Rule 15c2-12(b)(5) of the Securities Exchange Commission in connection with the District financing.

7. No Permanent Water Right, and Dry Year Curtailments. The District has determined that the water to be made available annually for delivery to the District pursuant to this Agreement will be surplus to the needs of the District during the term of this Agreement. The parties further agree that no permanent right to the water supplied by the District shall accrue to the City except pursuant to and as limited by the terms of this Agreement.

a. The District agrees that it will deliver up to 6,000 acre feet per annum to the City under this Agreement except to the extent that the District's Regulated Base Supply of 60,000 acre feet under its Agreements with East Bay Municipal Utility District is reduced in dry years by thirty-five (35) percent. In the event of such a reduction, the District may reduce the amount of water to be provided under this Agreement by up to fifty percent (50%). District shall on or about May 1 of each year make a preliminary estimate of whether the City's deliveries may be curtailed that year, and will provide a final estimate of any curtailment on or about July 1. In such event, the City shall only be obligated to take 50% of its estimated delivery before July 1 in that year. There shall be no reduction in the amount of the City's annual payment to the District in such years under paragraph 1.

b. Except for noncompliance with the foregoing provisions of this paragraph, the City shall have no claim for damages or breach arising from the unavailability of surplus water from the District for any cause or condition.

8. Carryover of Entitlements. Unused water may not be carried over by the City

from year to year except that the right to receive water may be "banked," as follows:

a. If during the first three years in which the water is available to the City under this Agreement, the City does not take the water or takes less than the amounts which are available, then the City may carry over and have credit for the water not taken, not to exceed a total of 18,000 acre feet, for later delivery during the initial 40-year term of this Agreement, at such times as the District has extra water available as determined solely by the District. There will be no additional charge for the delivery of such banked water.

b. If after said initial three years delivery of water to the City is curtailed under paragraph 7.a. by reason of a dry year condition or by District's maintenance or other District activities, then the City may carry over and have credit for the amount of such curtailment for later delivery at such time(s) as the District has extra water available as determined by the District. Any City credits for curtailed segments of carryover water shall expire at the end of eight (8) years from the end of the period in which the curtailment for that segment of curtailed water occurred. Such credits for the delivery of curtailed carryover water within said eight-year period may extend beyond the termination of this Agreement. There will be no additional charge for the delivery of such banked water.

c. Except as provided in subparagraph a, no credits shall accrue for water that is available to but is unused by the City.

9. Water Quality, Temporary Interruptions, and Responsibility for the Water Beyond Point of Delivery.

a. The water being supplied to the City is raw water diverted from the Mokelumne River, and the character or quality of the water furnished hereunder may vary from time to time. District does not guarantee in any respect the character or quality of the water furnished pursuant to this Agreement, provided that the District shall not apply or use any chemicals within the Canal section used to deliver water to the City that the City determines to be deleterious to the quality of the water for the uses made by the City of such water.

b. It is agreed that there may be, in addition to shortages of water, temporary discontinuance or reduction of water to be furnished for the City as herein provided, for purposes of investigation, inspection, maintenance, repair or replacement as may be necessary of any of the facilities used by the District for furnishing water to the City. The District agrees to provide the City notice of such temporary discontinuance or reduction of water as soon as such information is available to the District.

c. The City shall hold the District harmless from and defend the District from all claims or expenses on account of damage or claim of damage of any nature whatsoever from which there is legal responsibility, including property damage, personal injury or death, arising out of or connected with the delivery, control, carriage, handling, use, or disposal or distribution of water furnished hereunder beyond the point of delivery of water into the City's system from the District's Canal.

10. Right of Termination for Unacceptable Conditions in Validation Judgment. In the event that the court in the validation action enters a judgment validating the Agreement but upon conditions or restrictions which impose upon either party costs, requirements, obligations, or limitations in their performance of the agreement or upon their operations or property interests which in that party's judgment are unacceptable or otherwise not in the best interests of that party, that party shall have the right to terminate this Agreement, and in that event neither party shall have any further liability or obligation to the other party hereunder.

11. Arrearage in Payments. No water shall be furnished to the City during any period in which the City may be in arrears in payment of charges accruing hereunder after the determination on the amount thereof as above provided. Interest on arrearage in payment shall be charged at a rate of 1-1/2% per month and compounded monthly, commencing 45 days after the due date of the payment.

12. Assignment. The provisions of this contract shall apply to and bind the successors and assigns of the respective parties hereto; but no assignment or transfer of this contract or any part thereof or interest therein by the City shall be valid unless and until approved in writing by the District; and no assignment of the obligation to provide or deliver the water shall be assignable by the District without the consent of the City.

13. Fees and Costs. Any fees, costs or expenses, including attorney fees, administrative costs, and consultant fees, incurred by the District to effect the sale of water to the City, together with CEQA and any other regulatory approval, shall be paid by District and City on a 50/50 basis. The City shall not be required to contribute to any fees or costs incurred by District relating to other issues or disputes that may arise in any of said proceedings not directly relating to City's use of District water. District shall provide to City invoices and accountings of said fees and expenses on a regular basis.

14. City Use of District Rights of Way. The District agrees to cooperate with City and to agree to the City's use of any District right of way along the District's Main Canal needed by the City for the conveyance or distribution of water it obtains from the District.

15. CEQA. The parties agree that the District will be Lead Agency for purposes of

compliance with any requirements of the California Environmental Quality Act pertaining to the execution of this Agreement by each party.

16. Entire Agreement. This Agreement contains the full and entire Agreement of the parties and there are no other conditions, either explicit or implied, nor any warranties or promises other than those contained within the written terms of this Agreement.

17. Time of the Essence. Time is of the essence in the performance of this Agreement.

18. Nonwaiver. The failure of either party to enforce or abide by a term or condition of this Agreement shall not constitute a waiver of that term or condition unless a written Agreement is prepared specifically providing for the waiver or forgiveness of that term and such Agreement is executed by each party hereto.

19. Date of Execution. The date of execution of this Agreement is the date of execution by the party last signing the Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this instrument on the 13th day of May, 2003.

WOODBIDGE IRRIGATION DISTRICT

By Willie Lee

Attest:

Alan Christensen

CITY OF LODI, A MUNICIPAL CORPORATION

By Susan Hitchcock
Susan Hitchcock, Mayor

Attest:

Susan J. Blackston
Susan J. Blackston, City Clerk

APPROVED AS TO FORM:

Randall A. Hays
Randall A. Hays, City Attorney

4/16/03

1.7.08

**FIRST AMENDMENT TO AGREEMENT
FOR PURCHASE OF WATER FROM WOODBRIDGE
IRRIGATION DISTRICT BY CITY OF LODI**

This First Amendment to the May 13, 2003 Agreement for Purchase of Water from the Woodbridge Irrigation District by the City of Lodi is entered into by the parties this _____ day of _____, 2007.

WHEREAS, the parties entered into an Agreement for Purchase of Water from the Woodbridge Irrigation District by the City of Lodi on May 13, 2003 ("2003 Agreement") providing that Woodbridge Irrigation District (District) would provide 6,000 acre feet of water per year to the City of Lodi (City), subject to dry year curtailments and the City's ability to take the water, under the terms set forth in the 2003 Agreement, for a period of forty (40) years (until May 13, 2043); and

WHEREAS, Section 8.a of the 2003 Agreement allowed the City to bank up to 18,000 acre feet of unused water during the initial three years under the 2003 Agreement, to allow the City time to develop its plans for utilization of such water, ~~which initial three years expired on May 13, 2006;~~ and

WHEREAS, the City has taken more time than anticipated to study alternative methods of using the water provided by the District, including groundwater recharge or by direct use after treatment, and consistent with the District's recommendation, the City has determined that its preferred alternative is to construct treatment works and deliver the treated water to the City's customers, but the City has not yet finalized its plans for utilizing the 6,000 acre-feet of water per year made available under the 2003 Agreement; and

WHEREAS, City expects to commence using the water purchased under the 2003 Agreement within the next four years, and the City has requested that the term of the 2003 Agreement for the purchase of the water from the District be extended for approximately four years, to October 15, 2047, and that it also be allowed until October 15, 2047 to bank any unused water under the Agreement for later usage; and

WHEREAS, the District is also currently negotiating and agreement with the City of Stockton for the sale of surplus water of the District to Stockton, and it is necessary to make some changes to the District's 2003 Agreement with Lodi so that the contract rights to the two Cities will not be in conflict with each other;

**NOW, THEREFORE, THE CITY OF LODI AND THE WOODBRIDGE
IRRIGATION DISTRICT AGREE AS FOLLOWS:**

1. The final sentence of Section 1 of the 2003 Agreement is amended to read as follows:

Any of such water which is not taken by the City in that initial year shall be

included as a part of the 18,000 acre feet of carryover water which the City may take at a later date as provided for in paragraph ~~6.a.~~ 8 hereof.

2. The first sentence of Section 3 is amended to read as follows:

The District agrees to deliver the water to the City at the location of the District's new fish screen at the Main Canal Intake Headworks at _____ Lower North Lower Sacramento Road, Woodbridge, and also at any a-mutually agreeable location or locations on the District's Canal that may ~~to~~ be determined at a later date.

3. Subsection b of Section 3 is amended to read as follows:

b. At such times as it is possible for the District to deliver water during the remaining months of the year, or to deliver water in excess of 6,000 acre feet during the period from March 1 through October 15, then by mutual agreement of the parties, delivery of such water to the City may be made by the District. The City shall pay the District \$100 per acre foot for any such additional water delivered to the City. The determination of whether any such water is available for delivery shall be made solely by the District. In the event that both the City of Lodi and the City of Stockton request any such available water during the same period(s) that the water can be delivered, the water shall be apportioned between them if necessary in the manner and times that they shall agree upon. In the event they do not agree, such water shall be apportioned between them by the District in the ratio of 50/50, or one-half to each; provided that, if such apportionment would result in either party losing any deficiency curtailment water banked to the credit of that party because of non-use within the required eight-year period under Section 8.b., that party shall have a first right to such portion of the available water that will avoid such loss.

4. Sections 4(a) and 4(b) of the 2003 Agreement ("Term of Agreement") are amended to read as follows:

4.(a) This Agreement shall be effective from the date of execution hereof, and shall remain in effect ~~for a term of forty (40) years from said date~~ until October 15, 2047, unless extended. Payment by the City for the water made available by the District during the four-year extension under this Amendment, i.e., until October 15, 2047, will continue to be on the same terms as provided in Section 1 of the 2003 Agreement, to wit, the basic payment of \$1,200,000 per year as escalated annually commencing on January 1, 2010, as provided in Section 3.e of the 2003 Agreement.

4.(b) Upon receipt by the District of a written notice and request for renewal from the City at least two years in advance of the termination of the Agreement, the District agrees to ~~negotiate with the City for a renewal of~~ renew this Agreement for an additional forty (40) year term, on terms and conditions that are

reasonable and equitable, and which are satisfactory to the District, provided that the price for the water upon renewal will be at the then fair market value of the water, but not less than the price being paid by Lodi under the 2003 Agreement (said new price to also be adjusted thereafter in accordance with the CPI formula in the existing Agreement).

5. A new Section 4.1 is added to the 2003 Agreement as follows:

4.1. Right to Purchase Additional Water. The City shall have the further right during the initial term of this Agreement to buy up to an additional 6,000 acre-feet of water from the District based upon the annexation of additional lands within the District to the City of Lodi after the completion and commencement of operation of the City's new Water Treatment Plant, and which as a result of such annexation will be taken out of agricultural production, as follows. For each acre of land so annexed after such date which is now zoned agricultural and which has been irrigated with District water:

- and for which a tentative subdivision map is approved for such acreage for use other than agriculture,
- and which is to be served a water supply by the City of Lodi's utility water system,

the City will be entitled to purchase an additional 3.0 acre-feet of water per such acre from the District, on the same terms and subject to the same conditions herein applicable to the 6,000 acre-feet under this Agreement.

6. Section 7.a. of the 2003 Agreement is amended to read as follows:

a. The District agrees that it will deliver up to 6,000 acre feet per annum to the City under this Agreement except to the extent that the District's Regulated Base Supply of 60,000 acre feet under its Agreements with East Bay Municipal Utility District is reduced in dry years by thirty-five (35) percent. In the event of such a reduction, the District may reduce the amount of water to be provided under this Agreement by up to fifty percent (50%). District shall on or about May 1 of each year make a preliminary estimate of whether the City's deliveries may be curtailed that year, and will provide a final estimate of any curtailment on or about July 1. In such event, the City shall only be obligated to take ~~50%~~ 35% of its estimated delivery before July 1 in that year. There shall be no reduction in the amount of the City's annual payment to the District in such years under paragraph 1.

7. A new Section 7.1 is added to the 2003 Agreement, as follows:

Section 7.1. Lodi acknowledges that District is negotiating with the City of Stockton to sell a base supply of ~~approximately 6,500~~ of water to the City of Stockton, at a price per acre-foot which is approximately the same price as provided in the District's May 13, 2003 Agreement with Lodi. The delivery of

the 6,500 acre-feet of water to Stockton shall be subordinate to Lodi's right to receive its 6,000 acre-feet of water, provided that:

- a. Lodi waives and will not exercise, under the last sentence of paragraph 4(c) of the 2003 Agreement, its right of first refusal to purchase the 6,500 acre-feet of water being sold to Stockton; that
- b. The delivery of the 6,500 acre-feet of water to Stockton, and Stockton's right to purchase additional water based upon the future annexation of agricultural lands within the District to Stockton, shall take precedence over Lodi's rights to purchase additional water under paragraph 3.b; and
- c. Lodi's right to receive banked water under paragraph 8 of the 2003 Agreement will be on a parity with the right of Stockton to receive banked water under its Stockton's agreement with Woodbridge, i.e., in the event both Cities want to withdraw more banked water than is available that year, such water will be allocated one-half to each unless they agree on another allocation, as provided in the new subsection c added to paragraph 8.

8. Section 8 is amended as follows:

8. .Carryover of Entitlements. Unused water may not be carried over by the City from year to year except that the right to receive water may be "banked" as follows:

- a. ~~If during the first three years in which the water is available to the City under this Agreement period from May 13, 2003 to October 15, 2010,~~ the City does not take the water which is available to the City under this Agreement or takes less than the amounts which are available, then the City may carry over and have credit for such water not taken during that period, not to exceed a total of ~~18,000 acre-feet~~, 6,000 acre feet per year or a total of 42,000 acre feet, for later delivery during the ~~40-year~~ remaining term of this Agreement, i.e., until October 15, 2047, at such times as the City requests delivery of the water and the District has extra water available as determined solely by the District. There will be no additional charge for the delivery of such banked water.
- b. ~~If after said initial three years, October 15, 2010 ,~~ delivery of water to the City is curtailed under paragraph 7.a. by reason of a dry year condition or by District's maintenance or other District activities, then the City may carry over and have credit for the amount of such curtailment for later delivery at such time(s) as the City requests delivery of the water and the District has extra water available as determined solely by the District. Any City credits for curtailed segments of carryover water shall expire at the end of eight (8) years from the end of the period in which the curtailment for that segment of curtailed water occurred. Such credits for delivery of curtailed carryover water within said eight-year period may extend beyond the termination of this Agreement on October 15, 2047. There will be no additional charge for delivery of such banked water.

c. The determination of whether any such banked water or curtailment water is available for delivery shall be made solely by the District. In the event that both the City and the City of Stockton request such water during the same period(s) that water is available for delivery, the water shall be apportioned between them if necessary in the manner and times that they shall agree upon. In the event they do not agree, such water shall be apportioned between them by the District in the ratio of 50/50 or one-half to Lodi and one-half to Stockton.; provided that, if such apportionment would result in either party losing any deficiency curtailment water banked to the credit of that party because of non-use within the required eight-year period under Section 8.b., that party shall have a first right to such portion of the available water that will avoid such loss.

e. ~~d.~~ Except as provided in subparagraph a, no credits shall accrue for water that is available to but is unused by the city.,

9. Section 14 of the 2003 Agreement is amended to read as follows:

14. City Use of District Rights of Way. The District agrees to cooperate with City and to agree to the City's use of any District right of way along the District's Main Canal needed by the City for the conveyance or distribution of water it obtains from the District, provided that such use does not interfere with District's use of its right of way and that District's right of way permits such use by City. The District agrees that City may continue any such use of the right of way established during the term of this Agreement after the term of this Agreement expires.

10. Section 14.a. is added to the 2003 Agreement as follows:

14.a. District Installation of Quality Control Structures on City's Storm Water Discharge Locations. Under the City's October 20, 1993 Storm Drainage Discharge Agreement with the District, City has the right to discharge into District canals, waters collected by the City's storm drainage system (excluding industrial waste and sewage effluent), under the terms and conditions set forth in said Agreement. District shall be entitled at its option to construct or install from time to time at convenient locations on the City's property at or near any of the City's stormwater discharge points into the District's canal system, and to operate and maintain, at the District's cost, filtration/sedimentation structures or other water quality control or improvement devices at said point(s), subject to the City's prior approval the plans and specifications for such installations, which approval shall not be unreasonably withheld. Nothing herein shall alter City's obligations under said Agreement with respect to the quality of the storm waters and storm drainage into the District's Canals, and all provisions thereof shall continue in full force and effect.

~~10.11.~~ All terms and provisions of the 2003 Agreement remain in full force and effect, except as they are expressly amended or modified by this First Amendment to

Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this instrument on the _____ day of _____, 2007.

Attest:

WOODBIDGE IRRIGATION DISTRICT

By _____

Attest:

CITY OF LODI, A MUNICIPAL CORPORATION

, City Clerk

By _____
, Mayor

APPROVED AS TO FORM:

, City Attorney

866109.1

RESOLUTION NO. 2008-_____

A RESOLUTION OF THE LODI CITY COUNCIL
APPROVING AMENDMENT OF WATER SALE
AGREEMENT BETWEEN WOODBRIDGE IRRIGATION
DISTRICT AND THE CITY OF LODI

=====

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby approve the amendment to the Water Sale Agreement between Woodbridge Irrigation District and the City of Lodi, as shown on Exhibit A attached hereto.

Dated: January 16, 2008

=====

I hereby certify that Resolution No. 2008-_____ was passed and adopted by the City Council of the City of Lodi in a regular meeting held January 16, 2008, by the following vote:

AYES: COUNCIL MEMBERS –

NOES: COUNCIL MEMBERS –

ABSENT: COUNCIL MEMBERS –

ABSTAIN: COUNCIL MEMBERS –

RANDI JOHL
City Clerk

2008-_____

**FIRST AMENDMENT TO AGREEMENT
FOR PURCHASE OF WATER FROM WOODBRIDGE
IRRIGATION DISTRICT BY CITY OF LODI**

This First Amendment to the May 13, 2003 Agreement for Purchase of Water from the Woodbridge Irrigation District by the City of Lodi is entered into by the parties this ____ day of _____, 2007.

WHEREAS, the parties entered into an Agreement for Purchase of Water from the Woodbridge Irrigation District by the City of Lodi on May 13, 2003 ("2003 Agreement") providing that Woodbridge Irrigation District (District) would provide 6,000 acre feet of water per year to the City of Lodi (City), subject to dry year curtailments and the City's ability to take the water, under the terms set forth in the 2003 Agreement, for a period of forty (40) years (until May 13, 2043); and

WHEREAS, Section 8.a of the 2003 Agreement allowed the City to bank up to 18,000 acre feet of unused water during the initial three years under the 2003 Agreement, to allow the City time to develop its plans for utilization of such water; and

WHEREAS, the City has taken more time than anticipated to study alternative methods of using the water provided by the District, including groundwater recharge or by direct use after treatment, and consistent with the District's recommendation, the City has determined that its preferred alternative is to construct treatment works and deliver the treated water to the City's customers, but the City has not yet finalized its plans for utilizing the 6,000 acre-feet of water per year made available under the 2003 Agreement; and

WHEREAS, City expects to commence using the water purchased under the 2003 Agreement within the next four years, and the City has requested that the term of the 2003 Agreement for the purchase of the water from the District be extended for approximately four years, to October 15, 2047, and that it also be allowed until October 15, 2047 to bank any unused water under the Agreement for later usage; and

WHEREAS, the District is also currently negotiating and agreement with the City of Stockton for the sale of surplus water of the District to Stockton, and it is necessary to make some changes to the District's 2003 Agreement with Lodi so that the contract rights to the two Cities will not be in conflict with each other;

**NOW, THEREFORE, THE CITY OF LODI AND THE WOODBRIDGE
IRRIGATION DISTRICT AGREE AS FOLLOWS:**

1. The final sentence of Section 1 of the 2003 Agreement is amended to read as follows:

Any of such water which is not taken by the City in that initial year shall be included as a part of the 18,000 acre feet of carryover water which the City may

take at a later date as provided for in paragraph 8 hereof.

2. The first sentence of Section 3 is amended to read as follows:

The District agrees to deliver the water to the City at the location of the District's new fish screen at the Main Canal Intake Headworks at _____ Lower North Lower Sacramento Road, Woodbridge, and also at any mutually agreeable location or locations on the District's Canal that may be determined at a later date.

3. Subsection b of Section 3 is amended to read as follows:

b. At such times as it is possible for the District to deliver water during the remaining months of the year, or to deliver water in excess of 6,000 acre feet during the period from March 1 through October 15, then by mutual agreement of the parties, delivery of such water to the City may be made by the District. The City shall pay the District \$100 per acre foot for any such additional water delivered to the City. The determination of whether any such water is available for delivery shall be made solely by the District. In the event that both the City of Lodi and the City of Stockton request any such available water during the same period(s) that the water can be delivered, the water shall be apportioned between them if necessary in the manner and times that they shall agree upon. In the event they do not agree, such water shall be apportioned between them by the District in the ratio of 50/50, or one-half to each; provided that, if such apportionment would result in either party losing any deficiency curtailment water banked to the credit of that party because of non-use within the required eight-year period under Section 8.b., that party shall have a first right to such portion of the available water that will avoid such loss.

4. Sections 4(a) and 4(b) of the 2003 Agreement ("Term of Agreement") are amended to read as follows:

4.(a) This Agreement shall be effective from the date of execution hereof, and shall remain in effect until October 15, 2047, unless extended. Payment by the City for the water made available by the District during the four-year extension under this Amendment, i.e., until October 15, 2047, will continue to be on the same terms as provided in Section 1 of the 2003 Agreement, to wit, the basic payment of \$1,200,000 per year as escalated annually commencing on January 1, 2010, as provided in Section 3.e of the 2003 Agreement.

4.(b) Upon receipt by the District of a written notice and request for renewal from the City at least two years in advance of the termination of the Agreement, the District agrees to renew this Agreement for an additional forty (40) year term, on terms and conditions that are reasonable and equitable, provided that the price for the water upon renewal will be at the then fair market value of the water, but not less than the price being paid by Lodi under the 2003 Agreement (said new price to also be adjusted thereafter in accordance with the CPI formula in the existing Agreement).

5. A new Section 4.1 is added to the 2003 Agreement as follows:

4.1. Right to Purchase Additional Water. The City shall have the further right during the initial term of this Agreement to buy up to an additional 6,000 acre-feet of water from the District based upon the annexation of additional lands within the District to the City of Lodi after the completion and commencement of operation of the City's new Water Treatment Plant, and which as a result of such annexation will be taken out of agricultural production, as follows. For each acre of land so annexed after such date which is now zoned agricultural and which has been irrigated with District water:

- and for which a tentative subdivision map is approved for such acreage for use other than agriculture,
- and which is to be served a water supply by the City of Lodi's utility water system,

the City will be entitled to purchase an additional 3.0 acre-feet of water per such acre from the District, on the same terms and subject to the same conditions herein applicable to the 6,000 acre-feet under this Agreement.

6. Section 7.a. of the 2003 Agreement is amended to read as follows:

a. The District agrees that it will deliver up to 6,000 acre feet per annum to the City under this Agreement except to the extent that the District's Regulated Base Supply of 60,000 acre feet under its Agreements with East Bay Municipal Utility District is reduced in dry years by thirty-five (35) percent. In the event of such a reduction, the District may reduce the amount of water to be provided under this Agreement by up to fifty percent (50%). District shall on or about May 1 of each year make a preliminary estimate of whether the City's deliveries may be curtailed that year, and will provide a final estimate of any curtailment on or about July 1. In such event, the City shall only be obligated to take 35% of its estimated delivery before July 1 in that year. There shall be no reduction in the amount of the City's annual payment to the District in such years under paragraph 1.

7. A new Section 7.1 is added to the 2003 Agreement, as follows:

Section 7.1. Lodi acknowledges that District is negotiating with the City of Stockton to sell a base supply of 6,500 of water to the City of Stockton, at a price per acre-foot which is approximately the same price as provided in the District's May 13, 2003 Agreement with Lodi. The delivery of the 6,500 acre-feet of water to Stockton shall be subordinate to Lodi's right to receive its 6,000 acre-feet of water, provided that:

- a. Lodi waives and will not exercise, under the last sentence of paragraph 4(c) of the 2003 Agreement. its right of first refusal to purchase the 6,500 acre-feet of water being sold to Stockton; that

- b. The delivery of the 6,500 acre-feet of water to Stockton, and Stockton's right to purchase additional water based upon the future annexation of agricultural lands within the District to Stockton, shall take precedence over Lodi's rights to purchase additional water under paragraph 3.b; and
- c. Lodi's right to receive banked water under paragraph 8 of the 2003 Agreement will be on a parity with the right of Stockton to receive banked water under its Stockton's agreement with Woodbridge, i.e., in the event both Cities want to withdraw more banked water than is available that year, such water will be allocated one-half to each unless they agree on another allocation, as provided in the new subsection c added to paragraph 8.

8. Section 8 is amended as follows:

8. .Carry-over of Entitlements. Unused water may not be carried over by the City from year to year except that the right to receive water may be "banked" as follows:

- a. If during the period from May 13, 2003 to October 15, 2010, the City does not take the water which is available to the City under this Agreement or takes less than the amounts which are available, then the City may carry over and have credit for such water not taken during that period, not to exceed a total of, 6,000 acre feet per year or a total of 42,000 acre feet, for later delivery during the remaining term of this Agreement, i.e., until October 15, 2047, at such times as the City requests delivery of the water and the District has extra water available as determined solely by the District. There will be no additional charge for the delivery of such banked water.
- b. If after October 15, 2010, delivery of water to the City is curtailed under paragraph 7.a. by reason of a dry year condition or by District's maintenance or other District activities, then the City may carry over and have credit for the amount of such curtailment for later delivery at such time(s) as the City requests delivery of the water and the District has extra water available as determined solely by the District. Any City credits for curtailed segments of carryover water shall expire at the end of eight (8) years from the end of the period in which the curtailment for that segment of curtailed water occurred. Such credits for delivery of curtailed carryover water within said eight-year period may extend beyond the termination of this Agreement on October 15, 2047. There will be no additional charge for delivery of such banked water.
- c. The determination of whether any such banked water or curtailment water is available for delivery shall be made solely by the District. In the event that both the City and the City of Stockton request such water during the same period(s) that water is available for delivery, the water shall be apportioned between them if necessary in the manner and times that they shall agree upon. In the event they do not agree, such water shall be apportioned between them by the District in the

ratio of 50/50 or one-half to Lodi and one-half to Stockton.; provided that, if such apportionment would result in either party losing any deficiency curtailment water banked to the credit of that party because of non-use within the required eight-year period under Section 8.b., that party shall have a first right to such portion of the available water that will avoid such loss.

d. Except as provided in subparagraph a, no credits shall accrue for water that is available to but is unused by the city.,

9. Section 14 of the 2003 Agreement is amended to read as follows:

14. City Use of District Rights of Way. The District agrees to cooperate with City and to agree to the City's use of any District right of way along the District's Main Canal needed by the City for the conveyance or distribution of water it obtains from the District, provided that such use does not interfere with District's use of its right of way and that District's right of way permits such use by City. The District agrees that City may continue any such use of the right of way established during the term of this Agreement after the term of this Agreement expires.

10. Section 14.a. is added to the 2003 Agreement as follows:

14.a. District Installation of Quality Control Structures on City's Storm Water Discharge Locations. Under the City's October 20, 1993 Storm Drainage Discharge Agreement with the District, City has the right to discharge into District canals, waters collected by the City's storm drainage system (excluding industrial waste and sewage effluent), under the terms and conditions set forth in said Agreement. District shall be entitled at its option to construct or install from time to time at convenient locations on the City's property at or near any of the City's stormwater discharge points into the District's canal system, and to operate and maintain, at the District's cost, filtration/sedimentation structures or other water quality control or improvement devices at said point(s), subject to the City's prior approval the plans and specifications for such installations, which approval shall not be unreasonably withheld. Nothing herein shall alter City's obligations under said Agreement with respect to the quality of the storm waters and storm drainage into the District's Canals, and all provisions thereof shall continue in full force and effect.

11. All terms and provisions of the 2003 Agreement remain in full force and effect, except as they are expressly amended or modified by this First Amendment to Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this instrument on the
_____ day of _____, 2007.

Attest:

Attest:

_____, City Clerk

WOODBIDGE IRRIGATION DISTRICT

By _____

CITY OF LODI, A MUNICIPAL
CORPORATION

By _____, Mayor

APPROVED AS TO FORM:

_____, City Attorney



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Mid Year Review of 2007-08 Budget and Infrastructure Replacement Program and Adoption of Resolution Revising the 2007-08 Operating and Capital Improvement Budget for the Fiscal Year Beginning July 1, 2007 and Ending June 30, 2008

MEETING DATE: January 16, 2008

PREPARED BY: Jim Krueger, Deputy City Manager

RECOMMENDED ACTION: Receive presentation on 2007-08 Mid-year budget review, adopt attached Resolution revising the 2007-08 Operating and Capital Improvement Budget for the fiscal year beginning July 1, 2007 and ending June 30, 2008, and revise position titles to Assistant Planner and Senior Building Inspector, and add a Code Improvement Officer -Supervisor position.

BACKGROUND INFORMATION: Staff has prepared a power point presentation that highlights financial information for major city funds and shows the proposed budget adjustments.

The following are the primary elements that will be reviewed with the City Council. The items are grouped by fund to allow for easy review and summarization.

General Fund

Projected Fund Balance at June 30, 2008 (without any proposed adjustments):

The ending fund balance is projected to increase to \$5 million in comparison to the budgeted balance of \$3.5 million. The actual balance at June 30, 2007 was approximately \$5.2 million and will decrease slightly as a result of the revenues being less than expenditures. This is a net amount that reflects several items of revenue and expenditures. Fund balance projected at June 30, 2008 is \$4.87 million after the adjustments as proposed and explained below.

- Projected expenditure savings of \$1,000,000
 - Health Insurance, workers compensation and vacancies
- Revenue shortfall projected at \$1,175,000
 - Mostly due to property tax and sales tax dips from budgeted amounts

Proposed Budget Adjustments:

- Transfer to Equipment Replacement Fund \$89,000 for failing radio equipment at Police Department. This will replenish the fund to a positive amount as of June 30, 2008.
- Public Works - Graffiti abatement \$40,000. This will restore the program to the Public Works Department.
- Appropriate \$20,000 to Non-Departmental accounts for the training and development of Board and Commission members through attendance at seminars and/or conferences.

APPROVED: _____
Blair King, City Manager

One-Time Adjustments (see note below*) :

- Purchase of Fire Dispatch, Equipment \$190,000.
- New computer software for City Clerk to record and maintain cataloging system for \$50,000.
- Web camera in downtown \$10,000.
- These items will be funded with one time revenue from the Flag City connection \$250,000.

Other Adjustments

- Transfer from Parks Donations to Parks Budget \$11,875 for various small projects including riverbank repair at Lodi Lake.

Electric Fund

- Revenues projected to be higher than budget.
 - One time revenue from sale to Roseville of Combustion Turbine rights (\$3.25 million) and less than expected operating revenues (\$1.1 million less) make expected revenues higher than budgeted.
- Non-power operating costs (\$389,503 projected savings in expenditures).
- Net Bulk power costs - expected to be at budget level.

Fund Balance - Projected at June 30, 2008, \$8.63 million balance unreserved and unrestricted - up from budgeted \$7.1 million balance primarily due to sale to Roseville of Combustion Turbine rights.

Wastewater Utility Fund

- Revenues are expected to increase by \$17.3 million due to issuance of Wastewater Treatment Plant COPs.
- Expenditures are expected to increase by \$14.3 million due to construction of Phase 3 improvements to White Slough Wastewater Treatment Plant and major trunk line replacement. Proposed budget increase to include all Phase 3 expenditures and trunk line replacement.
- Fund Balance projected at June 30, 2008 an unreserved and unrestricted balance of \$8.6 million.
 - Unreserved target is 30% of capital assets and equals \$15 million.
 - Cumulative amount collected and earmarked for Infrastructure Replacement Balance equals approximately \$11.3 million.
 - Infrastructure replacement program needs to be balanced against unreserved target. Phase 3 and trunk line replacement are significant elements of the infrastructure replacement program.

Water Utility Fund

- **Revenues** – Revenues are projected to increase by \$3.26 million due to PCE/TCE settlements.
- **Expenditures** – Expenditures are projected to increase by \$4.45 million due to PCE/TCE clean up and litigation.
- **Fund Balance** - Projected at June 30, 2008, \$558,639 balance unreserved and unrestricted.
 - Unreserved target is 30% of Capital Assets =s ~\$10 million.
 - Cumulative amount collected and earmarked for Infrastructure Replacement Balance =s ~\$7.5 million.
 - Infrastructure replacement program needs to be balanced against unreserved target. Replacement program is ongoing and will continue but not at level of infrastructure revenues as shown on utility bills.

Vehicle Replacement Fund

- **Revenues** - Revenues in this fund come from transfers made from General Fund departments that utilize vehicles.
- **Expenditures** – Expenditures will exceed budgeted amount by \$189,565.
- **Fund Balance** – June 30, 2008 unreserved and unrestricted balance projected at \$1.65 million.

* **Note-** Although a fund transfer was discussed with Council on January 8, 2008, it is being delayed until revisions to the vehicle replacement policy can be updated.

Self Insurance Fund

- Revenues in this fund come from transfers made from all operating budgets.
- Claims experience in FY 2007-08 for workers compensation and general liability has been as expected and will continue to be reflected in expenditures that will be at or lower than the budget.
- The total cash balance is expected to approximate \$6 million at June 30, 2008. As a result of continued favorable claims experience, the cash balance is projected to increase by approximately \$667,873. This will bring the combined cash balance for workers compensation, general liability and other insurance to full funding at the 70% confidence level.

In addition to the financial elements already conveyed, there are several position changes that will be proposed as follows:

Proposed Position: Assistant Planner. The position was budgeted as a Transportation Technician. Rationale: Because of increased workload created by increases in the numbers of riders and new federal reporting and grant requirements, a new position was requested and included in the current budget. The position was originally proposed as a Transportation Technician, but the complexity of the duties and responsibilities of this position necessitate a different classification to better recruit an individual with the knowledge and skills to be successful.

Proposed Position: Senior Building Inspector. The position was budgeted as a Plan Check Engineer.

Rationale: Originally, this position was titled Senior Building Inspector. In the budget, the title was changed to Plan Check Engineer, though with the same salary range. That position had yet to be filled. Plan Check Engineers are highly technical professionals and difficult to recruit. In order to meet the needs of the department without increasing the salary, the position should revert back to a Senior Building Inspector.

New Position: Code Improvement Officer - Supervisor.

Rationale: The Code Enforcement Department will be moving from Community Development to the Police Department. The individual who supervised that unit in Community Development will not be moving and therefore a supervising Code Improvement Officer to provide the technical and supervisory knowledge for that unit is required. This position will also take the responsibilities currently assigned to the contract Senior Code Enforcement Officer (this position is currently working 3 days per work). This is a contract for services which was budgeted and therefore there is no budget impact in the current year.

Fiscal Impact: The proposed budget adjustments (Graffiti abatement and Commissions Boards and Committee education and training adjustment) will have an impact of \$60,000 in the current fiscal year. It is anticipated that the impact in subsequent years would be approximately \$100,000 per year for the same items. The proposed transfer of \$89,000 to the equipment replacement fund has a single year impact. The items comprising \$261,875 (\$190,000 for Fire dispatch equipment, \$10,000 for the web camera, \$50,000 for the minute archiving system and \$11,875 for Parks and Recreation related items) are all offset with revenues and have no impact on the General Fund budget.

Budget: The account numbers and the amounts are included on the attached resolution.

Respectfully submitted,

James Krueger, Deputy City Manager



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Review of City's Annual Financial Report (Fiscal Year 2006-07) by Macias, Gini & O'Connell, LLP

MEETING DATE: January 16, 2008

PREPARED BY: Deputy City Manager/Internal Services Director

RECOMMENDED ACTION: Receive for file the following reports and financial statements submitted by Macias, Gini & O'Connell, LLP and the Finance Department for Fiscal-Year 2006-07:

- The Combined Annual Financial & Single Audit Report
- Management Report
- Report on Applying Agreed-upon Procedures

BACKGROUND INFORMATION: The annual audit was conducted to assure the City Council and other interested parties that the City's financial records and reports are prepared in accordance with generally accepted accounting principles (GAAP), that internal controls are adequate to safeguard the City against loss from unauthorized use or disposition of assets and that the City has complied with all agreements and covenants to obtain grant funds and debt financing. Macias, Gini & O'Connell, LLP ("MGO") issued an "unqualified opinion." Scott Brunner, Director of MGO will be present to do the presentation and answer questions during the Council meeting.

The reports will be provided to Federal and State oversight agencies, bond trustees and insurance companies for their review and evaluation. Copies of the reports are provided to the City Council and also available to the public by contacting the Financial Services Division or the City's website at www.lodi.gov and at the Lodi Public Library.

Certificate of Achievement

The City received a Certificate of Achievement for Excellence in Reporting from the Government Finance Officers Association of United States and Canada (GFOA) for the 14th year and the California Society of Municipal Finance Officers (CSMFO) for the ninth year in a row. A copy of the GFOA certificate is included in the 2006-07 Financial Reports.

FISCAL IMPACT: N/A

FUNDING AVAILABLE: N/A

James R. Krueger
Deputy City Manager/Internal Services Director

APPROVED: _____
Blair King, City Manager

CITY OF LODI

Agreed-Upon Procedures Report For
Gann Appropriations Limit

For the Fiscal Year Ended June 30, 2007



MACIAS GINI & O'CONNELL LLP
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

3000 S Street, Suite 300
Sacramento, CA 95816
916.928.4600

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515 S. Figueroa Street, Suite 325
Los Angeles, CA 90071
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402 West Broadway, Suite 400
San Diego, CA 92101
619.573.1112

City Council
Lodi, California

*INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
RELATED TO THE ARTICLE XIII-B
APPROPRIATIONS LIMIT CALCULATION*

We have performed the procedures enumerated below to the accompanying Appropriations Limit Worksheet of the City of Lodi, California (City) for the fiscal year ended June 30, 2007. These procedures, which were agreed to by the City Council of the City of Lodi, California, and the League of California Cities (as presented in the publication entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitutions*), were performed solely to assist the City in meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution. The City management is responsible for the Appropriations Limit Worksheet. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the City's reports setting forth the calculations necessary to establish the City's appropriations limit and documentation utilized to calculate such limit for fiscal year 2006-07.

Finding: No exceptions were noted as a result of our procedures.

2. We determined that the current appropriations limit and annual adjustment factors used to calculate the appropriations limit for fiscal year 2006-07 set forth in the accompanying Appropriations Limit Worksheet and the aforementioned City reports, were adopted by resolution of the City Council. We also determined that the population and inflation options were selected by a recorded vote of the City Council.

Finding: No exceptions were noted as a result of our procedures.

3. For the accompanying Appropriations Limit Worksheet, we added the appropriations limit, fiscal year 2005-06, amount to the annual adjustment amount and agreed the resulting amount to the appropriations limit, fiscal year 2006-07, as adopted, amount.

Finding: No exceptions were noted as a result of our procedures.

4. We agreed the current year information presented in the accompanying Appropriations Limit Worksheet to the appropriate aforementioned City reports.

Finding: No exceptions were noted as a result of our procedures.

5. We agreed the appropriations limit, fiscal year 2005-06, amount presented in the accompanying Appropriations Limit Worksheet to the prior year appropriations limit adopted by the City Council.

Finding: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit Worksheet. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

This report is intended solely for the information and use of the City Council and management and is not intended to be and should not be used by anyone other than these specified parties.

Marcus Lim & O'Connell LLP

Certified Public Accountants

Sacramento, California
May 3, 2007

CITY OF LODI
APPROPRIATIONS LIMIT WORKSHEET
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Amount
Appropriations limit, fiscal year 2005-06	<u>\$ 66,082,118</u>
Adjustment factors:	
Population increase, 2006-07	1.0030
Inflation increase, 2006-07	<u>1.0396</u>
Total adjustment factor	<u>4.2719%</u>
Annual adjustment	<u>2,822,948</u>
Appropriations limit, fiscal year 2006-07, as adopted	<u><u>\$ 68,905,066</u></u>

CITY OF LODI, CALIFORNIA

Report to Management

For the Year Ended June 30, 2007

CITY OF LODI, CALIFORNIA
Report to Management
For the Year Ended June 30, 2007

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MACIAS GINI & O'CONNELL LLP
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

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City Council
City of Lodi, California

We have audited the financial statements of the City of Lodi, California (City) for the year ended June 30, 2007, and have issued our report thereon dated December 5, 2007. Professional standards require that we provide you with information related to our audit. That information is included in the Required Communications section of this report.

Also, in planning and performing our audit of the financial statements of the City for the year ended June 30, 2007, we considered the City's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements, and not to provide assurance on internal control over financial reporting.

During our audit for the fiscal year ended June 30, 2007, we became aware of a certain matter that represents an opportunity for strengthening the City's internal control and operational efficiency. The Current Year Management Comment and Recommendation section of this report summarizes our comment and recommendation regarding the matter. We also followed up on those matters we became aware of during the previous year's audit. Those matters are included in the Status of Prior Year Recommendations section of this report. This report does not affect our report dated December 5, 2007, on the basic financial statements of the City.

This letter is intended solely for the information and use of City Council and management and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the City's management and staff for the courtesy and cooperation extended to us during the course of our engagement. We have discussed our comments and suggestions with management and would be pleased to discuss them further.

Macias Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California
December 5, 2007

CITY OF LODI, CALIFORNIA
Report to Management
Required Communications
For the Year Ended June 30, 2007

I. Our Responsibility Under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated July 16, 2003, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements.

II. Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the governmental unit's financial statements and report such as an official statement for a bond offering does not extend beyond the financial information identified in the report. We do not have an obligation to perform any procedures to corroborate other information contained in these documents.

III. Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2007. We noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

CITY OF LODI, CALIFORNIA
Report to Management
Required Communications (Continued)
For the Year Ended June 30, 2007

IV. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were (1) depreciation, (2) allowance for doubtful accounts, (3) compensated absences, and (4) self-insurance liability.

Depreciation

Management's estimates of the expected lives of capital assets are based on experience and guidance from the Internal Revenue Service and impact the computation of the depreciation expense for the year. We evaluated the estimated useful lives of the capital assets for reasonableness and consistency. The resulting depreciation expense computations were reviewed for reasonableness in relation to the financial statements taken as a whole.

Allowance for uncollectible accounts

Management's estimates as to the collectibility of accounts receivable is based on historical experience and trends. The resulting valuation and allowance were reviewed for reasonableness in relation to the financial statements taken as a whole.

Compensated absences

Management's estimate of the compensated absence accrual is based on outstanding vacation hours at current hourly rates. We evaluated the key factors and assumptions used to develop the compensated absence accrual in determining that it is reasonable in relation to the financial statements taken as a whole.

Self-insurance liability

Management's estimate of the self-insurance liability is based on the development of amounts from the various consultants' actuarial studies. For general liability and workers' compensation for the current year, the present value of estimated outstanding losses is reported at the 70% confidence level. We evaluated the actuaries' qualifications, key factors, and assumptions used to develop the claims and judgments payable in determining that it is reasonable in relation to the financial statements taken as a whole.

V. Audit Adjustments

For the purposes of this report, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the City, either individually or in the aggregate, indicate matters that could have a significant effect on the City's financial reporting process.

CITY OF LODI, CALIFORNIA
Report to Management
Required Communications (Continued)
For the Year Ended June 30, 2007

VI. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the basic financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

VII. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

VIII. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

IX. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

CITY OF LODI, CALIFORNIA
Report to Management
Current Year Management Comment and Recommendation
For the Year Ended June 30, 2007

INTERNAL SERVICE FUNDS

Condition

Internal service funds are expressly designed to function as *cost-reimbursement devices*. That is, an internal service fund is simply a means of accumulating costs related to a given activity on an accrual basis so that the costs can subsequently be allocated to the benefiting funds in the form of fees and charges. During our audit of the City's financial statements for the period ending June 30, 2007, we noted that the internal service fund does not appear to be recovering the full cost of providing medical insurance benefits to other funds and/or user departments.

We examined, on a test basis, monthly CalPERS invoice billings of health insurance premiums for active participants enrolled in the health care plans offered by CalPERS, the cost of which were expensed in the internal service fund, however, the revenue reported by the internal service funds were consistently less than the related costs of the medical benefits provided. Absent a reconciliation of the enrolled participants in the CalPERS health care plans and the City's internal payroll and Human Resources system, the costs related to the CalPERS invoice billings of health insurance premiums could be permanently stranded in the internal service fund, and therefore, the user departments not being charged their proportionate share of the costs.

Recommendation

We encourage management and/or authorized employees to perform a monthly reconciliation of the enrolled participants in the health care plans as reported by CalPERS in the monthly health insurance invoice roster detail with the City's internal payroll system and HR records to ensure accuracy and completeness of the roster. This strengthens control and ensures that the costs are properly and timely allocated according to the user department or fund and that City is only being charged for current employees at authorized rates.

Management Response

Staff in the Human Resources Division have been tasked with the review of all health insurance bills to ascertain whether the appropriate amount is being charged to other departments of the City. This review of bills should be done by the Human Resources staff since they are the most familiar with staffing additions, deletions and other changes. In addition to this review by Human Resources, there needs to be a continuing reconciliation done by the Budget Division staff to ensure that amounts that are charged to departments for health insurance do in fact get budgeted appropriately and are also charged correctly in the payroll cost reporting system.

Management is implementing a reconciliation process that will utilize staff in the Budget Division to ensure that health insurance and other internal service fund charges are being appropriately monitored to ensure that they are allocated to all operating departments in an appropriate manner.

CITY OF LODI, CALIFORNIA
Report to Management
Status of Prior Year Recommendations
For the Year Ended June 30, 2007

The following is a summary of the status of prior years' recommendations. For more detail of the original conditions and recommendations, please refer to the management reports for the years in which the original findings were communicated.

FROM YEAR ENDED JUNE 30, 2006 -

ADMINISTRATION OF THE COMMUNITY DEVELOPMENT BLOCK GRANT

Current Year Status

Beginning approximately October 2006, the City has benefited from the contract services of a third party to handle the preparation and processing of CDBG Program disbursements, documentation and recordkeeping. The Community Improvement Manager retains responsibility for the compliance review requirements and approval of all grant expenditures and of all documentation. Therefore, we consider the recommendation implemented.

FROM YEAR ENDED JUNE 30, 2005 -

ENVIRONMENTAL REMEDIATION

Current Year Status

Condition unchanged. Prior recommendation remains.

Current Year Management Response

A plan is being developed for the remediation of environmental contamination. The plan could not be developed until the litigation efforts related to all of the contaminated areas were close to being concluded. Most of these litigation efforts have concluded and the City is close to finalizing settlements with all parties. Efforts are now underway and will continue for the next twelve to eighteen months to develop the most cost effective means for cleanup of the contamination.

INFORMATION TECHNOLOGY (IT)

Information Technology Administration – Policies and Procedures

Current Year Status

In process of being implemented. The Electronic Media Acceptable Usage Policy has not yet been adopted for use within the City. A review of the draft policy found that it does not define specific password standards that define the minimum password length, complexity of expiration period.

Current Year Recommendation

The City should make a concerted effort to update the current administrative policies and procedures to include sections pertaining to computer network security, password protection and specific configuration standards, and confidentiality of information.

Current Year Management Response

Management agrees. Adoption should occur in fiscal year 2008-09

CITY OF LODI, CALIFORNIA
Report to Management
Status of Prior Year Recommendations (Continued)
For the Year Ended June 30, 2007

Information Technology Administration – New-Hire Training

Current Year Status

Considered implemented.

Logical Security – Departing Employees

Current Year Status

Not implemented. Prior recommendations remain.

Current Year Management Response

Management agrees. Procedures should be implemented during fiscal year 2008-09.

Logical Security – Access Rights

Current Year Status

In process of being implemented. User lists are periodically reviewed by ISD to identify obsolete accounts and user appropriateness. In addition, department heads are annually sent a list of users within their departments and their access rights. The Deputy City Manager is also sent a list for review. Even though these informal procedures are being conducted, they have not been formally documented requiring quarterly reviews and do not ensure that the lists are being reviewed to ensure appropriate authorization rights are being enforced. Prior recommendation remains.

Current Year Management Response

Management agrees. Policy covering this recommendation should be completed during fiscal year 2008-09.

Accounting System Development and Maintenance

Current Year Status

In process of being implemented. Prior recommendation remains

Current Year Management Response

Management agrees. Staff has implemented a change control process that includes authorization and notification of all significant changes made to the city's network or systems environment and documentation of same. A policy covering change control procedures will be developed by 6/30/08.

Packaged Accounting Software and Systems Software – Selection Method

Current Year Status

Still in process of being implemented. Original recommendation remains.

Current Year Management Response

Management agrees. Documentation will be developed by 6/30/08.

CITY OF LODI, CALIFORNIA
Report to Management
Status of Prior Year Recommendations (Continued)
For the Year Ended June 30, 2007

Packaged Accounting Software and Systems Software – Test Environment

Current Year Status

Not implemented. Even though patches and updates are performed according to manufacturer specifications, or they are done by company certified engineers, the procedures are not documented within formal policy. 2006 recommendation remains.

Current Year Management Response

Management agrees. Documentation will be developed by 6/30/08.

Computer Operations – Computer Room

Current Year Status

Not implemented. Condition remains unchanged.

Current Year Recommendation

At a minimum, the City should ensure the water-based system is a “dry pipe” system with high temperature activation heads. This would minimize the risk associated with the possibility of the system activation or break in the pipes.

Current Year Management Response

Management agrees. The City had contracted with its IBM Business Partner in November 2007 to provide disaster recovery services, including recovery equipment hosting and priority equipment replacement. Replacing the current water-based fire suppression system is cost prohibitive.

Computer Operations – Disaster Preparedness/Business Continuity Plans

Current Year Status

In process of being implemented. The City has developed an Information Systems Disaster Preparedness Plan in July 2007 and has also contracted with an IBM Partner for disaster recovery services including recovery equipment hosting and priority equipment replacement. The Plan, however, has not yet been tested. The City IS Division plans to test the Plan in the spring of 2008 as time permits.

Current Year Recommendation

The City should test the Information System Disaster Preparedness Plan as soon as possible and the Plan should be updated with any findings from the testing.

Current Year Management Response

Management agrees. Staff will schedule a test during fiscal year 2008-09.

Computer Operations – Service Level Agreements

Current Year Status

In process of being implemented. No change from 2006 status.

Current Year Management Response

Management agrees. Implementation should occur in fiscal year 2008-09.

CITY OF LODI, CALIFORNIA
Report to Management
Status of Prior Year Recommendations (Continued)
For the Year Ended June 30, 2007

Computer Operations – Unauthorized Use of Software

Current Year Status

In process of being implemented. Computers are scanned when there is suspicion that unauthorized software may exist. This is not done on a routine basis. The original recommendation remains to be fully implemented.

Current Year Management Response

Management agrees. Currently, only persons with administrator privileges are able to install or uninstall software or change unit configurations. It is the current ISD policy to deliver all new and replacement PCs with non-admin privileges. The Information Systems Division has embarked on a program to revoke local admin rights on city PCs, a change that will prevent users from installing software or making configuration changes. About half or more of the city's current PC inventory now have non-admin user privileges. It is anticipated that all city PCs will have undergone this change by 12/31/08.

Computer Operations – Read-Write Access to the JDE Application

Current Year Status

In process of being implemented. The purchasing function is now under a new Budget Manager position as of October 2006. Copies of all purchase orders are sent to this new Budget Manager. In addition, there is a quarterly review of all purchases between \$5,000 and \$20,000 that are reported to the City Council. Approximately 2/3rds of all purchasing transactions are now being processed through the JDE application. As time and training allows, other departments are being trained in the use of the JDE application.

Current Year Management Response

Management agrees. Departments continue to be trained in the use of the JDE application for purchasing.

Other Matters

Since 2005, the City has been in various stages of addressing our prior year recommendations. Efforts to implement several have been hampered by budgetary constraints and other higher priority undertakings. Overall, of the 12 EDP Review findings and recommendations from our 2005 review, one has been implemented, three have not been implemented, and eight are in the process of being implemented.

CITY OF LODI, CALIFORNIA
Report to Management
Status of Prior Year Recommendations (Continued)
For the Year Ended June 30, 2007

FROM YEAR ENDED JUNE 30, 2004 -

CAPITAL ASSETS

Current Year Status

Status unchanged. Prior year recommendation remains.

Current Year Management Response

Finance is currently in the initial stage of assessing the magnitude of this project and coordinating with Information Systems Division to evaluate and establish a project plan. The timeline for implementation is expected to be FY08-09, if not earlier.

FTA INDIRECT COSTS

Current Year Status

Condition unchanged. Prior year recommendation remains.

Current Year Management Response

Management had a review of the city-wide cost allocation plan in September 2007. The review included analysis of all direct and indirect costs and recommendations related to the in-lieu of transfers made to the General Fund. The review of the cost allocation plan will be expanded during 2007-08 to incorporate all charges that may be feasible for recovery from the Federal Transit Authority..



**CITY OF LODI, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2007**

CITY OF LODI, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2007

JOANNE MOUNCE, MAYOR
LARRY HANSEN, MAYOR PRO TEMP
SUSAN HITCHCOCK, COUNCILMEMBER
BOB JOHNSON, COUNCILMEMBER
PHIL KATZAKIAN, COUNCILMEMBER

BLAIR KING, CITY MANAGER

Prepared by the Finance Department
James Krueger, Deputy City Manager/Internal Services Director/Treasurer
Ruby Paiste, Financial Services Manager
Coriene Wadlow, Sr. Accountant
Odette Bondoc, Accountant II

INTRODUCTORY SECTION

**CITY OF LODI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2007**

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CITY COUNCIL

JOANNE MOUNCE, Mayor
LARRY HANSEN, Mayor Pro
Tempore
COUNCILMEMBERS:
SUSAN HITCHCOCK
BOB JOHNSON
PHIL KATZAKIAN

CITY OF LODI
CITY HALL, 221 WEST PINE STREET
P.O. BOX 3006
LODI, CALIFORNIA 95241-1910
(209) 333-6706
FAX (209) 333-6795

BLAIR KING
City Manager
RANDI JOHL
City Clerk
STEVE SCHWABAUER
City Attorney

December 7, 2007

**To the Honorable Mayor, Members of the City Council
and Manager of the City of Lodi:**

The Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007, is hereby submitted. This report is provided to present the financial position, results of operations and cash flows of the City's proprietary funds as of June 30, 2007, in conformity with generally accepted accounting principles. The report conforms to the highest standards of financial reporting as established by the Governmental Accounting Standards Board (GASB), for reporting by State and local governments. The responsibility for the accuracy, fairness and completeness of the report rests with the City.

This report consists of management's representations concerning the finances of the City of Lodi. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Lodi has established a comprehensive internal control framework that is designed to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. We believe that the information is accurate in all material respects and that it is presented in a manner designed to fairly present the financial position of the City. In addition, we believe that all disclosures necessary to enable the reader to gain full understanding of the City's financial activities have been included.

The CAFR is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes the transmittal letter, the City's organization chart and a list of principal officials. The financial section includes the independent auditors' report, management discussion and analysis (MD&A), the basic financial statements, notes to the financial statements, required supplementary schedules, and the combining and individual statements. The single audit section includes the schedule of expenditures of federal awards, notes to the schedule, and reports on compliance and internal control based on the audit of the basic financial statements and on compliance and internal control with requirements applicable to each major program in accordance with OMB Circular A-133. The statistical section includes selected financial and demographic information presented on a multi-year basis.

This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditors' report.

THE REPORTING ENTITY AND SERVICES PROVIDED

The funds included in the CAFR are those deemed dependent upon the City and controlled by the City Council and reflect the City's financial reporting entity in accordance with GASB Statement 14.

The City of Lodi (City) was incorporated December 6, 1906, as a municipal corporation under the general laws of the State of California. The City operates under a Council-Manager form of government. Under the Council-Manager form of government, policy making and legislative authority are entrusted to the City Council. The City Council consists of five members elected at-large by its voters for four-year terms, with no term limits. Elections are held in November of even-numbered years. Each year the Mayor and Mayor Pro-Tempore are chosen by the members of the City Council. The Mayor presides at Council meetings and acts as the ceremonial head of the City, the Mayor Pro Tempore serves as Mayor in his or her absence. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for appointing department heads, and overseeing the operations of the City. The City Manager, City Attorney and the City Clerk are appointed by the City Council.

The City provides a wide range of municipal services including public safety (police, fire and graffiti abatement), public utilities services (electric, water and wastewater), transportation services (streets, flood control and transit) leisure, cultural and social services (parks and recreation, library and community center), and general government services (management, human resources administration, financial administration, building maintenance and equipment maintenance).

Several municipal services are provided through other government agencies, private companies or public utility companies, including:

	Number of Facilities
Elementary and Secondary Schools	18
Sanitation (solid waste) and Cable Television	2
Ambulance	1
Gas and Telephone	2

ECONOMIC CONDITION AND OUTLOOK

The City is located in the San Joaquin Valley between Stockton 10 miles to the south, and Sacramento 35 miles to the north, and adjacent to U.S. Highway 99. The City population is 63,395 and is contained in an area of 13.92 square miles. The City has grown steadily since incorporation in 1906 and is projected to grow to 70,500 people by the year 2012. The City's growth is provided for in both the General Plan and the City's growth control ordinance that allows an increase in population of 2% per year until the growth limits are reached.

Lodi is built on a strong and broad based agricultural industry with national and industrial markets for its commodities and products. Wines, processed foods, nuts, fruit and milk are major commodities of the Lodi area and provide the basic material for food processing and packaging. These commodities support the operations of General Mills, Guild Winery and Pacific Coast Producers in the business of processing local agricultural commodities.

In addition, Lodi has a wide range of small, financially sound businesses that add to the economic strength of the City. These companies range in size from 10 to 150 employees and produce a wide variety of products, services and commodities.

Over the past several years, there has been an increase in industrial and residential development that has been unprecedented since the early 1980s. This new development combined with the growing strength of the wine/grape industry is a positive indicator for Lodi. The City's focus on economic development has encouraged numerous big industries to move to Lodi that collectively created hundreds of new jobs.

Economic Development

Lodi continues to be committed to promoting economic development (business retention and attraction) and expanding the tax base to fund city services rather than increase taxes to pay for these services. The City developed long and short-term economic development goals in conjunction with the Chamber of Commerce that resulted in the revitalization projects for the downtown and Cherokee Lane areas. In addition to revitalization efforts, the City has adopted a number of incentives to retain and attract new businesses. These incentives included infrastructure improvements, regulatory flexibility and utility rate incentives.

MAJOR GOALS, OBJECTIVES AND PROJECTS

To assist the citizens of Lodi in understanding where the City intends to allocate available resources, the City Council, the City Manager and Department Heads established in 2004 a hierarchy of major goals, objectives and major projects that support and re-enforce the City's mission statement.

Four major City goals were established as policy direction and focal points for the efforts of City staff. These goals include:

- Ensure a High Quality of Life and a Safe Environment for Citizens
- Ensure Efficient and Productive City Organization
- Ensure Public Trust, and
- Ensure the Development of the Lodi Economy for a Fiscally Sound City Organization

City Council, the City Manager and Department Heads established nineteen major City objectives:

- | | |
|---|---|
| Maintain City's Sense of Community | Provide Employee Training and Education |
| Provide for a Balanced Community | Evaluate Telecommunications Opportunities |
| Enhance Access through Implementation of Information Systems Strategic Plan | Provide Resources to Maintain City's Infrastructure |
| Promote Urban Forestry | Promote Public Relations and Marketing Efforts |
| Attract, Retain and Invest in a Quality City Work Force | Ensure Open and Accessible Public Meetings |
| Encourage Public Arts, Cultural and Recreational Opportunities | Pursue Efforts to be Entrepreneurial |
| Provide Appropriate and Sufficient City Facilities | Improve Customer Service |
| Develop Short and Long Range Operational Plans | Continue to use Partnerships to Advance City's Objectives |
| Develop Effective Records Management Program | Provide a Balanced Budget & Adhere to Adopted Policies |
| Promote Commercial/Industrial Base | |

Projects represent the foundation of the planning statements for the City of Lodi. These projects are designed to accomplish specific objectives and become the focus for organization wide effort.

As discussed above, economic revitalization continued to be an active focal point of the City in 2006-07. The following projects are underway and will be completed in 2008.

Court Space Remodel

The court facility is being remodeled to provide additional workspace for the Finance and Budget divisions. Both divisions are currently housed in space that is leased. The court space is currently used by Superior Court #1 which is moving across the street to the new police building. The use of this space by city departments will save more than \$140,000 in annual lease payments.

Police Building Improvements for Housing San Joaquin Court Facilities

The new police facilities building was opened in 2002. The new building included space that was built to house Superior Court #1. The facility improvements will be completed in 2008 and Court #1 will move into the police facilities and will be leasing the space from the City. This will result in additional revenues at approximately \$194,000.

FINANCIAL INFORMATION, MANAGEMENT AND CONTROL

A detailed understanding of the financial position and operating results of the City is provided in the following sections of this report. The following is a brief description of the City's financial condition, management practices and control techniques.

Basis of Accounting

Basis of accounting refers to the policy as to when revenues, expenditures or expenses are recognized in the financial accounts and reported in the financial statements. The City's accounting records for general government operations are maintained on a modified accrual basis. Revenues are recorded when available and measurable. Expenditures are recorded when the services or goods are received and the liability incurred. For proprietary fund types, the City uses the accrual basis of accounting. As such, the measurement focus is on net income in addition to financial position and changes in financial position. Revenues are recognized when earned and expenses are recognized as the liability is incurred. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Accounting System and Budgetary Control

In developing the City's accounting system, consideration is given to the adequacy of the internal controls. The objective of the City's internal accounting controls is to provide reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; and to ensure that transactions are properly recorded to permit the preparation of financial statements in accordance with generally accepted accounting principles. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived and that estimates and judgments are required to be made by management in evaluating these costs and benefits.

In addition, the City maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The City Manager is responsible for the preparation of the budget and its implementation after adoption. The City Council has the authority to amend the budget at any time during the year. The City Manager has the authority to make adjustments to the budget as long as those changes will not have a significant policy impact nor affect budgeted year-end balances. During fiscal year 2006-07, the City Council and City Manager made several supplemental budget appropriations, the majority of which relate to operating budgets and capital projects.

Fund Balance

It is the City's goal to target and maintain an unreserved, undesignated fund balance in the General Fund and working capital balances in the Water and Wastewater enterprise funds of at least 15% of operating expenditures. Based on a study completed during the last year, the target for the Electric enterprise fund working capital is \$12.1 million. The goals allow for variations from year-to-year to account for economic and fiscal changes. The General Fund maintained an unreserved undesignated fund balance of \$5,175,522 or 12.93%, of operating expenditures at the end of fiscal year 2006-07.

Cash Management

The City has written investment policies that address a wide range of investments. These policies describe the City's investment objectives, investment authority, allowable investment vehicles, maturity terms and eligible financial institutions. They also describe the City's capital preservation and cash management objectives. As provided in the policy, investments are intended to be held until maturity and investment terms are to be consistent with the City's cash flow needs. Investment reports are issued quarterly to the City Manager and City Council to provide detailed information regarding the City's investments and compliance with City policy and as required by state law. An important objective of the City's investment policy is to achieve a reasonable rate of return on public funds while minimizing risks and preserving capital. In evaluating the performance of the City's investment portfolio, investments are expected to yield a rate of return that regularly meets or exceeds an average rate of return on a three-month U.S. Treasury Bill.

Appropriation Limitation

Article XIII B of the Constitution of the State of California (Proposition 4) provides for the limitation of expenditures by state and local governments. Under the provisions of this article, City appropriations funded through tax sources may not exceed Fiscal Year 1979 appropriation levels except as adjusted for increases in population and the growth in the California per capita income or non-residential assessed valuation due to new construction within the city.

Excluded from the limitation are appropriations funded through charges for services, fines and forfeitures, grants, transfers of service responsibilities between government agencies and indebtedness incurred prior to Fiscal Year 1979. Pursuant to subsequent legislation adopted after Article XIII B, the City is required to annually establish and adopt its appropriations limit by resolution. For 2006-07, the City's appropriations subject to limit were \$34,165,830 and the appropriation limit was \$68,905,066 leaving appropriations at \$34,739,236 below the limit.

Debt Administration

At June 30, 2007, the City had outstanding Certificates of Participation of \$139,502,922. These liabilities are discussed in Note 8 of the Basic Financial Statements and summarized below.

The City issued \$5.0 million of Certificates of Participation (1995 COP) to fund its share of capital improvements in the downtown and Cherokee Lane areas. These bonds were refunded by the issuance of the 2002 Certificates of Participation. The City also issued \$1.97 million limited obligation improvement bonds for the Central City Revitalization Assessment District on July 22, 1996. The improvement bonds of the assessment district are not general obligations of the City.

The City also issued \$10.12 million for the renovation of the Performing Arts Center on August 1, 1996; the 2002 Certificates of Participation also refunded these bonds.

On December 1991, the Wastewater Utility issued \$11.17 million Certificates of Participation to repay the 1988 Wastewater Certificates of Participation previously issued for the Wastewater Treatment Plant Expansion Project, at a lower rate.

In 1999, the Electric Utility issued \$43.96 million Certificates of Participation to finance the costs of certain improvements to the distribution and transmission facilities of the City's electric system. These bonds were refunded by the issuance of the 2002 Electric Systems Revenue Certificates of Participation.

On November 2002, the City issued the 2002 Revenue Certificates of Participation Series C for \$21,225,000 and 2002 Series D for \$22,740,000, to buy out the energy purchase agreement entered into by the City in January 2002 with Calpine.

On October 21, 2003, the City of Lodi and the City of Fort Bragg issued Water and Wastewater revenue bonds (2003B) through the California Statewide Communities Development Authority ("the Authority") under its pooled financing program. Total bonds issued were \$9,855,000 of which \$5,000,000 was for the upgrade of the City of Lodi's wastewater facilities.

The City issued \$27,360,000 in Wastewater Certificates of Participation (2004A) to finance the costs of improvements to the wastewater collection, treatment and disposal system.

The City's debt management policy includes a commitment to monitor all forms of debt annually during the preparation of the City's Financial Plan and Budget to ensure compliance. Also, the City will generally conduct financing on a competitive basis, will seek an investment grade rating on any direct debt and will obtain credit enhancements such as letters of credit or insurance when necessary for marketing purposes, availability and cost effectiveness.

Interim Financial Reporting

Monthly financial reports are prepared to present the City's financial condition and results of operations. These executive reports are organized using the "pyramid" approach. As such, the highest level of summary data is presented first, followed by progressively greater levels of detail. The reports provide current period and year to date revenues, expenditures and encumbrances for all activities and funds, including year to date estimates and variances. The reports are available to all departments and to the public on the City's website.

Single Audit

The City is subject to financial and compliance reporting required by the Single Audit Act Amendments of 1996 and OMB Circular A-133, which is a requirement of all local and state governments receiving federal financial awards. As part of the Single Audit, tests are made to determine the adequacy of internal controls, including that portion related to federal financial awards, as well as to determine that the City has complied with certain applicable laws and regulations governing federal funds. The Single Audit report is published as part of the annual financial statements for easy reference.

Competitive Bidding Policy

All required purchases for materials, equipment and services during 2006-07 were made pursuant to competitive bidding procedures as established under the City's purchasing ordinance. Contracts for construction projects were awarded pursuant to competitive bidding procedures established by the State of California for projects in excess of \$5,000.

Risk Management

The City is self-insured for dental care, workers' compensation, general liability and unemployment insurance. General liability and workers' compensation are administered by outside agencies. The City administers unemployment insurance. Self-insurance transactions are accounted for under the City's Claims and Benefits Fund. At June 30, 2007, the Claims and Benefits Fund had a deficit of 813,142. It is the City's goal to gradually eliminate the deficit in the Internal Service Funds.

INDEPENDENT AUDIT

The City Council requires an annual audit of the records and accounts of the City by an independent certified public accountant. To ensure internal control periodically the City conducts a request for proposal (RFP) process for auditing services. The accounting firm of Macias Gini & O'Connell LLP was selected to perform this audit. The independent auditors' report precedes the basic financial statements and concludes that the City's basic financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

CERTIFICATES OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. The City did not submit for the California Society of Municipal Finance Officers (CSMFO) award program last year. These Certificates of Achievement are prestigious national and state awards recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

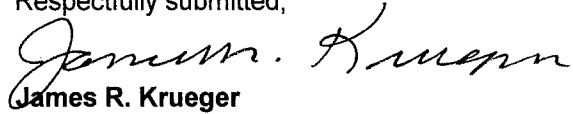
A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last fourteen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA this year.

ACKNOWLEDGMENTS

As always the professionalism, dedication and efficiency of the Finance Department Accounting staff made it possible for the timely preparation of this report and are to be commended. I would also like to personally thank Ruby Paiste, Financial Services Manager, and Cory Wadlow, Senior Accountant, Odette Bondoc, Accountant II and Tyson Mordhorst, Senior Programmer Analyst. Their work in preparing this year's CAFR is greatly appreciated.

I would also like to thank you for your continued interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James R. Krueger". The signature is fluid and cursive, with the first name "James" being more prominent.

James R. Krueger

Deputy City Manager/Internal Services Director/Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lodi
California

For its Comprehensive Annual
Financial Report

for the Fiscal Year Ended

June 30, 2006

xiii

A Certificate of Achievement for Excellence in Financial
Reporting is presented by the Government Finance Officers
Association of the United States and Canada to
government units and public employee retirement
systems whose comprehensive annual financial
reports (CAFRs) achieve the highest
standards in government accounting
and financial reporting.



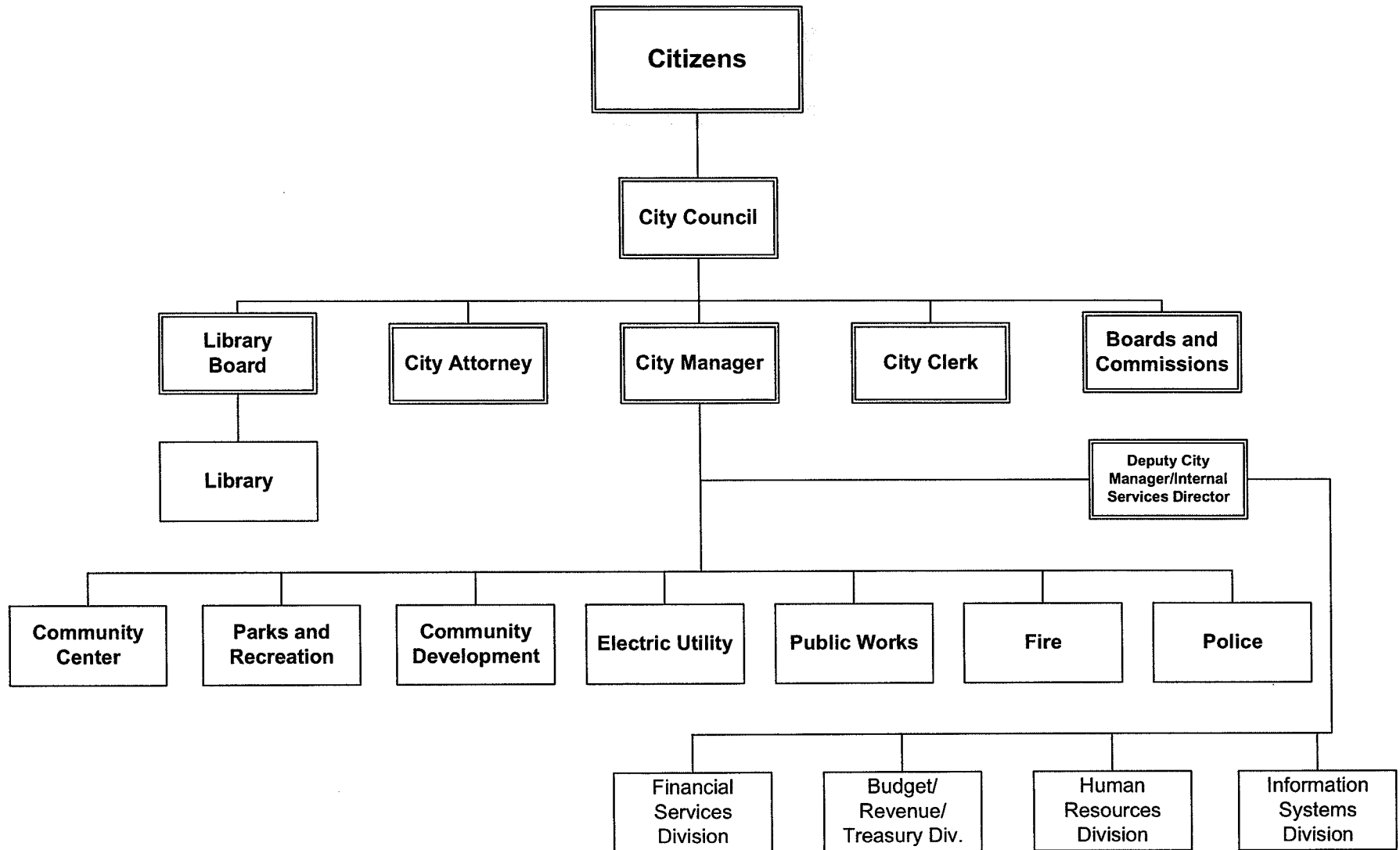
President



Executive Director



City of Lodi



DIRECTORY OF OFFICIALS AND ADVISORY BODIES

CITY COUNCIL

Joanne Mounce
Larry Hansen
Susan Hitchcock
Bob Johnson
Phil Katzakian

Mayor
Mayor Pro Temp
Council Member
Council Member
Council Member

ADVISORY BODIES

Planning Commission
Library Board
Recreation Commission
Site Plan and Architectural Review Committee
Budget and Finance Committee

Eastside Improvement Committee
Lodi Arts Commission
Youth Commission
Lodi Senior Citizens' Commission

PRINCIPAL ADMINISTRATIVE OFFICERS

Blair King
Steve Schwabauer
Randi Johl
Nancy Martinez
James Krueger
Mike Pretz
James Rodems
Richard Prima
George Morrow
Randy Hatch
Jerry Adams
Steve Dutra

City Manager
City Attorney
City Clerk
Library Services Director
Dep. City Mgr/Internal Services Dir/Treasurer
Fire Chief
Community Center Director
Public Works Director
Electric Utility Director
Community Development Director
Police Chief
Interim Parks & Recreation Director

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FINANCIAL SECTION

The Financial Section is comprised of the Independent Auditors' Report, Management Discussion and Analysis, Basic Financial Statements, including the notes, required Supplementary Information, and Supplementary Information which includes Combining and Individual Fund Statements and Schedules.

The Honorable Members of City Council
City of Lodi, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lodi, California (City), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2007, and the respective changes in financial position, and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2007 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, the schedule of funding progress – pension plan, and schedule of revenues, expenditures and changes in fund balance – budget and actual – for the General Fund are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Macías Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California
December 5, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Comprehensive Annual Financial Report is presented as discussion and analysis of the financial performance of the City of Lodi (the City) for the fiscal year ended June 30, 2007.

FINANCIAL HIGHLIGHTS

- The assets of the City of Lodi exceeded its liabilities at the close of the 2007 fiscal year by \$234,980,025 (net assets). Of this amount, \$2,449,223 is unrestricted net assets, needed to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$27,376,642 in fiscal year 2007.
- As of June 30, 2007, the City's governmental funds reported combined ending fund balances of \$21,044,025, an increase of \$3,603,397 in comparison with the prior year. Of this amount, \$18,026,704 is available for spending at the City's discretion (unreserved fund balance).
- At the close of the fiscal year, fund balance for the general fund was \$6,319,402 (of which \$5,175,522 is unreserved and undesignated) or 15.8 % of total general fund expenditures of \$40,041,238.
- The City's total long-term debt decreased by \$3,989,852(2.8%) during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the Financial Statements. This report also includes other **supplementary information** in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The **statement of net assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through users fees and charges (business-type activities). The governmental activities of the City include general government, public protection, public works, community development, library, and parks and recreation. The business-type activities of the City include electric operations, wastewater operations, water operations and public transit operations.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: Governmental funds, Proprietary funds, and Fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds. These statements, however, focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in determining financial resources available in the near future to finance City programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds organized according to their type (special revenue, capital projects and debt service). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for the general fund and the special revenue funds to demonstrate compliance with this budget.

Proprietary Funds. Proprietary funds are generally used to account for services for which the City charges customers-either outside customers, or internal units or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Electric, Wastewater, Water, all of which are considered to be major funds and the Transit system, which is considered to be a nonmajor proprietary fund.

- **Internal Service funds** are used to report activities that account for various employee benefits and self-insurance activities and fleet activities of the City. Because these activities predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The activities of the Downtown and Cherokee Lane special assessments, the Industrial Way-Beckman special assessment and various landscape and lighting districts are accounted for and reported under the fiduciary funds. The activities of the Private Sector trust and the Holz bequest are also accounted for under the fiduciary funds. Since the resources of this fund are not available to support the City's own programs, it is not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees, and a schedule comparing budget to actual amounts in the General Fund.

Combining Statements

The combining statements in connection with non-major governmental funds and fiduciary funds are presented immediately following the required supplementary information on pensions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City of Lodi assets exceeded liabilities by \$234,980,025 at the close of the current fiscal year.

The largest portion (\$208,775,405) of the City's net assets reflects its investment in capital assets net of any associated depreciation (e.g., land, buildings and improvements, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Lodi's Net Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Assets:						
Current and other assets	\$ 32,649,784	26,306,575	82,844,456	85,587,439	\$ 115,494,240	111,894,014
Capital assets	135,878,115	137,535,891	157,655,799	136,816,229	293,533,914	274,352,120
Total assets	<u>168,527,899</u>	<u>163,842,466</u>	<u>240,500,255</u>	<u>222,403,668</u>	<u>409,028,154</u>	<u>386,246,134</u>
Liabilities:						
Long-term liabilities outstanding	41,842,787	42,911,609	119,527,995	123,232,209	161,370,782	166,143,818
Other liabilities	4,794,355	3,670,776	7,882,992	8,828,157	12,677,347	12,498,933
Total liabilities	<u>46,637,142</u>	<u>46,582,385</u>	<u>127,410,987</u>	<u>132,060,366</u>	<u>174,048,129</u>	<u>178,642,751</u>
Net assets:						
Invested in capital assets, net of related debt	110,814,721	111,572,441	97,960,684	77,493,888	208,775,405	189,066,329
Restricted	15,044,403	14,525,637	8,710,994	10,969,285	23,755,397	25,494,922
Unrestricted	<u>(3,968,367)</u>	<u>(8,837,997)</u>	<u>6,417,590</u>	<u>1,880,129</u>	<u>2,449,223</u>	<u>(6,957,868)</u>
Total net assets	\$ <u>121,890,757</u>	<u>117,260,081</u>	<u>113,089,268</u>	<u>90,343,302</u>	\$ <u>234,980,025</u>	<u>207,603,383</u>

An additional portion of the City's net assets, \$23,755,397 (10.11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted assets amounts to \$2,449,223. At the end of the current fiscal year, the City is able to report positive balances in the three categories of net assets for the government as a whole. Unrestricted net assets are negative for the governmental activities. The deficit in unrestricted net assets in the governmental activities at the end of the year was \$3,968,367 primarily due to the accrual of compensated absences for \$10,210,966 and the inclusion of the internal service funds in the governmental activities that had negative net assets of \$878,768.

Refer to pages 8-9 for analysis of the business-type activities and internal service fund negative unrestricted net assets.

City of Lodi's Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues						
Program revenues:						
Charges for services	\$ 4,392,225	4,717,215	84,772,926	76,768,433	\$ 89,165,151	81,485,648
Operating grants and contributions	2,588,592	2,586,677	2,621,063	3,376,995	5,209,655	5,963,672
Capital grants and contributions	6,974,545	14,630,848	19,983,761	11,145,804	26,958,306	25,776,652
General revenues:						
Property taxes	9,523,684	8,030,641			9,523,684	8,030,641
Other taxes	11,070,609	10,063,090			11,070,609	10,063,090
Grants and contributions not restricted to specific programs	14,771,547	14,214,678			14,771,547	14,214,678
Litigation - environmental lawsuits proceeds			6,222,568	6,700,399	6,222,568	6,700,399
Other	1,495,383	1,340,239	4,128,972	4,063,465	5,624,355	5,403,704
Total revenues	<u>50,816,585</u>	<u>55,583,388</u>	<u>117,729,290</u>	<u>102,055,096</u>	<u>168,545,875</u>	<u>157,638,484</u>
Expenses						
General government	7,852,819	9,746,613			7,852,819	9,746,613
Public protection	23,327,792	22,104,641			23,327,792	22,104,641
Public works	10,599,292	13,228,998			10,599,292	13,228,998
Community development	2,130,349	2,290,412			2,130,349	2,290,412
Library	1,630,145	1,484,793			1,630,145	1,484,793
Parks and recreation	4,171,750	4,113,772			4,171,750	4,113,772
Interest on long-term debt	1,201,086	1,233,982			1,201,086	1,233,982
Electric			67,533,822	63,779,870	67,533,822	63,779,870
Wastewater			9,270,669	8,574,212	9,270,669	8,574,212
Water			9,874,702	8,256,175	9,874,702	8,256,175
Transit			3,576,807	3,643,035	3,576,807	3,643,035
Total expenses	<u>50,913,233</u>	<u>54,203,211</u>	<u>90,256,000</u>	<u>84,253,292</u>	<u>141,169,233</u>	<u>138,456,503</u>
Changes in net assets before transfers	(96,648)	1,380,177	27,473,290	17,801,804	27,376,642	19,181,981
Transfers	4,727,324	4,922,835	(4,727,324)	(4,922,835)		
Changes in net assets	4,630,676	6,303,012	22,745,966	12,878,969	27,376,642	19,181,981
Net assets at beginning of year	<u>117,260,081</u>	<u>110,957,069</u>	<u>90,343,302</u>	<u>77,464,333</u>	<u>207,603,383</u>	<u>188,421,402</u>
Net assets at end of year	\$ <u>121,890,757</u>	<u>117,260,081</u>	<u>113,089,268</u>	<u>90,343,302</u>	\$ <u>234,980,025</u>	<u>207,603,383</u>

Analysis of Changes in Net Assets

Governmental activities.

Governmental activities increased the City's net assets by \$4,630,676 or 17% of the total increase in the City's net assets.

The key factors impacting the change in net assets are:

- Moderate revenue growth
- Slow down on new residential developments
- Increased assessed valuations due to growth in new homes in prior year
- Significant restraint in spending.

Charges for services decreased by 7%, a net amount of \$324,990 from the prior fiscal year largely from development related fees essentially from the continuing slow down of new residential developments.

- Construction permits decreased by \$315,900 or 33%
- Planning and plan check fees decreased by \$167,854 or 30%

Capital grants and contributions decreased by \$7,656,303 or 52% from prior fiscal year. This was substantially the effect of the slow down in new developments resulting in a decrease of \$2,687,586 in the contribution of capital assets from developers. Street projects funded by Measure K also decreased by \$4,765,517. Commercial developments remained steady resulting in an increase in development impact mitigation fees collected by \$932,772.

The City's governmental activities also realized the following revenue increases:

- Property taxes - \$1,493,043 – 19%
- Sales and use taxes - \$325,015 – 3.31%
- Motor Vehicle license fees - \$231,855 – 5.27%
- In-lieu franchise taxes - \$848,914 – 10.84%

Expenses for governmental functions totaled \$50,913,233 a decrease of \$3,289,978 from the prior fiscal year. This largely reflects the net decrease in the actuarial estimates for the reserves required for general liability and workers compensation included in general government and the net effect of the continued effort to cut back on spending.

Business-type activities.

Business-type activities increased the City's net assets by \$22,745,966 or 25% of the total increase in the City's net assets. The key elements of this increase are:

- Capital Contributions:

Electric Fund - \$69,000

Wastewater Fund - \$11,475,030

Water Fund - \$7,296,968

- Proceeds from litigation settlements - \$6,222,568.

The City also implemented a rate increase for Electric Utility effective June 1, 2006, to offset the increase of purchased power expenses resulting in increased operating revenue of \$6,696,277 or 11% from prior fiscal year. An Energy Cost Adjustment (ECA) was adopted in June 2007 to replace the Market Cost Adjustment (MCA) that was adopted in 2002. The ECA is intended to automatically adjust the electric rates for monthly fluctuations in the City's purchased power expenses.

Wastewater and water rates were also increased during the year resulting in increased operating revenues of \$317,514 or 4% in Wastewater Utility; and \$1,696,716 or 20% in Water Utility. Sewer connection fees were accounted for as operating revenues in prior years and as a capital contribution in the current year therefore showing a net decrease in wastewater operating revenues of \$403,074.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds.

The focus of the City of Lodi's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, special revenue funds, debt service funds and capital projects funds.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$21,044,025, an increase of \$3,603,397 in comparison to the prior year.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$5,175,522 while total fund balance was \$6,319,402, an increase of \$1,950,461 from prior year. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 12.93% of total general fund expenditures.

Governmental fund balances have increased for the last two years as a result of continued spending restraint and the receipt of unexpected revenues from the State of California which includes reimbursements for mandated costs and receipts of more than expected vehicle license fees.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets at the end of the year for the Electric Fund were (\$2,514,064), Wastewater Fund \$3,022,494, Water Fund \$4,463,762 and Transit Fund \$1,445,398.

The Internal Service Funds are reporting a deficit in unrestricted net assets as a result of the City not fully funding its self-insurance activities. The City continues its efforts to gradually eliminate the deficit in the Internal Service Funds by funding the deficit over the next three fiscal years.

Other factors concerning the finances of these funds are discussed in the City of Lodi's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Significant differences between the original operating budget and the final amended operating budget in the General Fund were a net increase in appropriation of \$2,040,975. The increase in appropriations can be briefly summarized as follows:

- \$133,804 increase in general government
- \$5,074 increase in public protection
- \$1,998,807 increase in public works
- \$11,225 increase in library
- \$107,935 decrease in parks and recreation

Significant differences between the final budget and the actual revenues and expenditures can be briefly summarized as follows:

- Taxes – a favorable variance of \$952,685 was attributed to underestimated increases in assessed values, which resulted in additional property tax revenues in the amount of \$906,054.
- Intergovernmental revenues – a favorable variance of \$885,811 was largely due to the increased Vehicle License Fees received in the amount of \$764,786 and the reimbursement of state mandated costs not previously funded by the State in the amount of \$224,638.
- Fines, forfeits and penalties – an unfavorable variance of \$139,858 resulting from revenues that did not come in as expected.
- For expenditures, a favorable variance between the final budget and actual expenditures of \$1,921,520 was due to savings from several vacancies and the continued overall effort to reduce spending and costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets.

The City of Lodi's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to \$293,533,914 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, infrastructure and construction in progress. The total increase in the City of Lodi's investment in capital assets for the current fiscal year was 6.99% (a 1.21% decrease in governmental activities and 15.23% increase in business-type activities) as shown in the table below.

Changes in Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 24,016,374	\$ 24,016,374	\$ 5,247,806	\$ 5,247,806	\$ 29,264,180	\$ 29,264,180
Buildings and Improvements	37,792,666	39,284,078	25,529,753	26,390,168	63,322,419	65,674,246
Machinery and Equipment	1,331,961	1,080,497	98,359,132	83,489,707	99,691,093	84,570,204
Vehicles	1,474,697	1,741,279	2,150,827	1,988,516	3,625,524	3,729,795
Infrastructure	68,454,801	68,151,049			68,454,801	68,151,049
Work of Art	62,024	62,024			62,024	62,024
Construction in Progress	2,745,592	3,200,590	26,368,281	19,700,032	29,113,873	22,900,622
Total	<u>\$ 135,878,115</u>	<u>\$ 137,535,891</u>	<u>\$ 157,655,799</u>	<u>\$ 136,816,229</u>	<u>\$ 293,533,914</u>	<u>\$ 274,352,120</u>

A significant increase in machinery and equipment and construction in progress compared to prior year was primarily due to the Phase III improvements to the White Slough Pollution Control Facility.

Additional information on the City of Lodi's capital assets can be found in note 6 on pages 42-44 of this report.

Long-term debt.

At the end of the current fiscal year, the City of Lodi had total bonded debt outstanding of \$139,502,922. Of this amount, \$23,975,000 is the outstanding balance of the bonds issued to fund the new public safety building, refinancing of the performing arts center and the downtown and Cherokee Lane improvements. The total of \$115,527,922 from the business-type activities consists of \$38,771,408 for the Wastewater Fund; and \$76,756,514 for the Electric Fund.

City of Lodi's Outstanding Debt

	<u>Governmental Activities</u>	<u>Business-type activities</u>	<u>Total</u>
Certificates of Participation	\$ 23,975,000	115,527,922	139,502,922

The City of Lodi's total bonded debt decreased by \$3,989,852 (2.8%) during the current fiscal year.

Bond Rating.

In response to a review of interim financial results, Fitch Rating Services changed the rating on outstanding electric utility debt instruments from BBB- to BBB. In light of more favorable financial results as reflected in the full year financial results as compared to the interim results, Fitch Ratings Services also removed the negative outlook to positive.

Standard and Poor's also reviewed the rating on the outstanding electric utility debt instruments and retained a BBB+ rating and changed the outlook to stable.

Additional information on the City of Lodi's long-term debt can be found in note 8 on pages 45-53 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The General Fund budget for fiscal year 2007-08 incorporates expenditure levels for Police and Fire Departments, which have filled positions that were left vacant in prior fiscal year budgets. The primary growth in expenditures in the fiscal year 2007-08 budget results from filling these public safety positions. General tax revenues are estimated to increase sufficiently to offset the impact on the budget of filling these positions.

The Electric Utility budget for 2007-08 was adopted with revenues exceeding expenditures by approximately \$1.5 million. Most of these results from the implementation of an energy cost adjustment that adjusts revenues to reflect increasing cost of purchased energy since the last rate increase in November 2005. There are some vacancies and reductions in operational expenditures that are also helping to create the difference. The rate increases in 2005 and other cost cutting measures will be used to increase the cash balances to approximately \$7.1 million by the end of fiscal year 2007-08.

Economic Development

There are two major developments in process in Lodi at the time of this report. The Reynolds Ranch development on the southern end of the city will provide approximately 500 jobs to the community within the next two years. Blue Shield of California will be located in this development and other businesses will be located around the Blue shield facilities. The additional jobs and the expanded economic activity from the commercial development in this project will provide needed additional property and sales tax revenues to the City's revenue base. Additionally, the development plans include approximately 1,000 new residences to be built. This will add significantly to the City's property tax base.

On the west end of town the Southwest Gateway and West End development projects are in the planning stages of development. Frontier Community Builders (FCB) is the developer in these projects and has been involved in building many new neighborhoods in the City of Lodi. Both of these projects could add as many as 2,000 new residences to the city.

Both of these projects include development agreements that will provide for public facilities to be contributed as the development proceeds. This as well as Impact Development Fees will allow for the provision of public facilities that would otherwise need to be funded with General Fund revenue sources. Development agreements have not been used by the City to provide for public improvements in the past.

Housing market factors will affect the timing of when the residences will be built, but it is anticipated that both projects will proceed over the course of the next 15-20 years.

REQUEST FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Financial Services Division of the City of Lodi at 300 W. Pine Street, Lodi, California, 95240.

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BASIC FINANCIAL STATEMENTS

The Government-wide Financial Statements provide a broad overview of the City's financial position and operating results. Information is grouped by governmental activities or business-type activities.

The Fund Financial Statements report information about the City's Governmental Funds, Proprietary Funds, and the Fiduciary Fund.

The notes have an integral role in disclosing information essential to the fair presentation of the Basic Financial Statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LODI
STATEMENT OF NET ASSETS
June 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 22,744,481	8,375,941	\$ 31,120,422
Restricted assets	1,750,204	29,871,849	31,622,053
Accounts receivable, net	3,606,321	13,842,494	17,448,815
Property tax receivable	1,901,316		1,901,316
Interest receivable	201,303	65,597	266,900
Internal balances	(749,911)	749,911	
Due from other governmental agencies	1,911,215	970,061	2,881,276
Loan receivable	1,084,000		1,084,000
Advance receivable		4,790,663	4,790,663
Inventory	137,931	1,701,197	1,839,128
Other assets	62,924	5,627	68,551
Deferred charges		22,471,116	22,471,116
Capital assets, net:			
Nondepreciable	26,823,990	31,616,087	58,440,077
Depreciable, net	109,054,125	126,039,712	235,093,837
TOTAL ASSETS	<u>168,527,899</u>	<u>240,500,255</u>	<u>409,028,154</u>
LIABILITIES			
Accounts payable and accrued liabilities	3,146,437	4,295,437	7,441,874
Accrued salaries and wages	1,364,788		1,364,788
Accrued interest	283,130	2,348,162	2,631,292
Unearned revenue		1,239,393	1,239,393
Long-term liabilities:			
Due within one year	5,854,889	4,133,452	9,988,341
Due in more than one year	35,987,898	115,394,543	151,382,441
TOTAL LIABILITIES	<u>46,637,142</u>	<u>127,410,987</u>	<u>174,048,129</u>
NET ASSETS			
Invested in capital assets, net of related debt	110,814,721	97,960,684	208,775,405
Restricted for:			
Capital projects	13,011,928		13,011,928
Debt service	1,749,214		1,749,214
Other purposes	283,261	8,710,994	8,994,255
Unrestricted (deficit)	(3,968,367)	6,417,590	2,449,223
TOTAL NET ASSETS	<u>\$ 121,890,757</u>	<u>113,089,268</u>	<u>\$ 234,980,025</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF LODI
STATEMENT OF ACTIVITIES
Year ended June 30, 2007**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government	\$ 7,852,819	1,280,338	272,138	233,876	(6,066,467)		\$ (6,066,467)
Public protection	23,327,792	581,835	801,209	475,108	(21,469,640)		(21,469,640)
Public works	10,599,292	295,098	1,146,428	5,743,572	(3,414,194)		(3,414,194)
Community development	2,130,349	1,174,470		23,905	(931,974)		(931,974)
Library	1,630,145	53,207	97,657		(1,479,281)		(1,479,281)
Parks & recreation	4,171,750	1,007,277	271,160	498,084	(2,395,229)		(2,395,229)
Interest on long-term debt	1,201,086				(1,201,086)		(1,201,086)
Total governmental activities	50,913,233	4,392,225	2,588,592	6,974,545	(36,957,871)		(36,957,871)
Business-type activities:							
Electric	67,533,822	65,808,864		69,000		(1,655,958)	(1,655,958)
Wastewater	9,270,669	8,523,530		11,475,030		10,727,891	10,727,891
Water	9,874,702	10,039,706		7,296,968		7,461,972	7,461,972
Transit	3,576,807	400,826	2,621,063	1,142,763		587,845	587,845
	90,256,000	84,772,926	2,621,063	19,983,761		17,121,750	17,121,750
Total primary government	\$ 141,169,233	89,165,151	5,209,655	26,958,306	(36,957,871)	17,121,750	\$ (19,836,121)
General revenues:							
Taxes:							
Property taxes					9,523,684		9,523,684
Franchise taxes					9,608,581		9,608,581
Business license tax					1,081,691		1,081,691
Transient occupancy tax					380,337		380,337
Grants and contributions not restricted to specific programs					14,771,547		14,771,547
Investment earnings					873,925	2,379,735	3,253,660
Litigation - environmental lawsuits proceeds						6,222,568	6,222,568
Other					621,458	1,749,237	2,370,695
Transfers					4,727,324	(4,727,324)	
Total general revenues and transfers					41,588,547	5,624,216	47,212,763
Change in net assets					4,630,676	22,745,966	27,376,642
Net assets, beginning of year					117,260,081	90,343,302	207,603,383
Net assets, end of year					\$ 121,890,757	113,089,268	\$ 234,980,025

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

Governmental Fund Types

Governmental funds consist of the General Fund, special revenue funds, debt service fund and capital projects funds.

Major Governmental Fund:

General Fund

This fund is maintained to account for all financial resources that are not restricted as to their use. This includes property and sales taxes, business tax receipts, franchise taxes and various subventions such as Motor Vehicle In-Lieu fees received from the State of California. With the exception of grant programs, General Fund resources can be utilized for any legitimate governmental purpose.

Proprietary Fund Types

Proprietary funds consist of the enterprise funds and the internal service funds.

Major Enterprise Funds include:

Electric Fund

The City established this fund in order to account for the provision of electric services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including but not limited to, source of supply, overhead, systems maintenance, customer service, engineering, administration, capital improvements maintenance and debt service.

Sewer Fund

This fund was established by the City in order to account for the provision of waste water collection and treatment services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, improvements and debt service.

Water Fund

This fund was established by the City in order to account for the provision of water to the residents of the City as well as some customers in the County. All activities to provide such services are accounted for in this fund, including, but not limited to administration, operations, distribution, maintenance, capital improvements and debt service.

Nonmajor Enterprise Fund:**Transit Fund**

This fund is used to account for the operations of the Dial-A-Ride and the Grapeline bus system.

Fiduciary Fund Type**Private-purpose Trust Funds**

These funds are used to account for assets held by the Library Board as trustee of the Lodi Public Library and for assets held by the City in accordance with the trust agreement on behalf of the Hutchins Street Square.

Agency Fund

This fund was established to account for special assessments collected on the property tax roll by the City on behalf of the property owners within the Industrial Way Beckman Districts and the Downtown and Cherokee Lane Districts and various landscape and lighting districts around the City.

**CITY OF LODI
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007**

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 3,981,991	13,316,450	\$ 17,298,441
Restricted assets		1,750,204	1,750,204
Receivables:			
Accounts, net	3,355,991	46,695	3,402,686
Property taxes	1,901,316		1,901,316
Interest	47,401	108,660	156,061
Due from other funds	149,568	978,064	1,127,632
Due from other governmental agencies	5,300	1,905,915	1,911,215
Loan receivable		1,084,000	1,084,000
Inventory	29,407		29,407
Advances to other funds	272,800	646,770	919,570
Other assets	59,695	508	60,203
Total assets	\$ 9,803,469	19,837,266	\$ 29,640,735
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other liabilities	\$ 2,119,279	871,580	\$ 2,990,859
Accrued salaries and wages	1,364,788		1,364,788
Due to other funds		652,370	652,370
Advances from other funds		2,144,743	2,144,743
Deferred revenue		1,443,950	1,443,950
Total liabilities	3,484,067	5,112,643	8,596,710
Fund balances :			
Reserved	1,143,880	1,873,441	3,017,321
Unreserved reported in:			
General Fund	5,175,522		5,175,522
Special revenue funds		6,651,315	6,651,315
Capital projects funds		6,199,867	6,199,867
Total fund balances	6,319,402	14,724,623	21,044,025
Total liabilities and fund balances	\$ 9,803,469	19,837,266	\$ 29,640,735

The notes to the financial statements are an integral part of this statement.

CITY OF LODI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2007

Amounts reported for governmental activities in the statement of net assets are different because:

Fund balances - total governmental funds	\$ 21,044,025
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	
Nondepreciable capital assets	26,823,990
Depreciable capital assets, net	109,015,050
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds as follows:	
Compensated absences	(10,210,966)
Long-term debt	(25,063,394)
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due	(283,130)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	1,443,950
Internal service funds are used by management to charge the costs of general liability insurance, workers' compensation insurance, health benefits insurance, other insurance and the cost of operating and maintaining the City's fleet to individual funds. The assets of the internal service fund is included in governmental activities in the statement of net assets	(878,768)
Net assets of governmental activities	\$ <u><u>121,890,757</u></u>

CITY OF LODI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended June 30, 2007

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 20,594,293		\$ 20,594,293
Licenses and permits	83,964	632,820	716,784
Intergovernmental revenues	16,091,446	3,800,342	19,891,788
Charges for services	1,854,575	2,841,633	4,696,208
Fines, forfeits and penalties	1,241,051	4,225	1,245,276
Investment and rental income	380,375	617,703	998,078
Miscellaneous revenue	210,495	93,576	304,071
Total revenues	<u>40,456,199</u>	<u>7,990,299</u>	<u>48,446,498</u>
Expenditures:			
Current:			
General government	8,893,677		8,893,677
Public protection	21,775,531	435,792	22,211,323
Public works	3,871,311	1,715,482	5,586,793
Community development		2,061,706	2,061,706
Library	1,587,714		1,587,714
Parks and recreation	3,597,718		3,597,718
Capital outlay		3,526,339	3,526,339
Debt service:			
Interest and fiscal charges	41,464	1,163,635	1,205,099
Principal payments	273,823	626,233	900,056
Total expenditures	<u>40,041,238</u>	<u>9,529,187</u>	<u>49,570,425</u>
Excess (deficiency) of expenditures over (under) revenues	<u>414,961</u>	<u>(1,538,888)</u>	<u>(1,123,927)</u>
Other financing sources (uses):			
Transfers in	4,937,314	3,926,356	8,863,670
Transfers out	(3,401,814)	(734,532)	(4,136,346)
Total other financing sources (uses)	<u>1,535,500</u>	<u>3,191,824</u>	<u>4,727,324</u>
Net change in fund balances	1,950,461	1,652,936	3,603,397
Fund balances, beginning of year	<u>4,368,941</u>	<u>13,071,687</u>	<u>17,440,628</u>
Fund balances, end of year	<u>\$ 6,319,402</u>	<u>14,724,623</u>	<u>\$ 21,044,025</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LODI
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2007

Amounts reported for governmental activities are different because:

Net change in fund balances - total governmental funds	\$	3,603,397
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays, capital contributions and depreciation expense are as follows:

Capitalized capital outlays		3,526,339
Capital contributions		2,136,331
Depreciation expense		(7,359,521)

Long-term debt proceeds, net of discounts, provide current financial resources to governmental funds, but issuing debt proceeds increases long-term liabilities in the statement of net assets. Repayments of the principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net assets.

Repayments of principal are as follows:

Capital leases		273,823
Certificates of participation principal		535,000
Loan principal		91,233

Internal service funds are used by management to charge the costs of certain activities, such as health benefits and self-insurance, costs of operation and maintenance of the City's fleet, to individual funds.

The net revenue (expenses) of the internal service funds are reported with governmental activities.		2,175,868
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Deferred revenues recognized in the funds that were previously recognized in the statement of activities		(10,000)
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Other expenses in the statement of activities that do not use current financial resources are not reported as expenditures in the governmental funds.

Change in compensated absences		(345,807)
Change in accrued interest		4,013
Change in net assets of governmental activities	\$	4,630,676

CITY OF LODI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

	Business-type Activities-Enterprise Funds					Governmental Activities - Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit	Total	
ASSETS						
Current assets:						
Cash and Investments	\$ 5,162,284	3,000,445		213,212	\$ 8,375,941	\$ 5,446,040
Restricted cash and investments			8,410,994		8,410,994	
Restricted assets with fiscal agents	10,131,013	11,029,071	300,771		21,460,855	
Receivables:						
Accounts, net	4,335,315	2,620,025	6,275,419	611,735	13,842,494	203,635
Interest	37,748	5,261	20,773	1,815	65,597	45,242
Due from other governmental agencies		85,182		884,879	970,061	
Advance receivable	4,790,663				4,790,663	
Inventory	1,501,423	13,022	186,752		1,701,197	108,524
Other assets	82	4,188	1,357		5,627	2,721
Total current assets	<u>25,958,528</u>	<u>16,757,194</u>	<u>15,196,066</u>	<u>1,711,641</u>	<u>59,623,429</u>	<u>5,806,162</u>
Noncurrent assets:						
Advances to other funds			1,225,173		1,225,173	
Deferred charges and other assets	21,730,962	740,154			22,471,116	
Capital assets, net:						
Nondepreciable	4,043,564	24,146,041	1,904,656	1,521,826	31,616,087	
Depreciable, net	34,000,593	52,083,087	28,736,192	11,219,840	126,039,712	39,075
Total capital assets	<u>38,044,157</u>	<u>76,229,128</u>	<u>30,640,848</u>	<u>12,741,666</u>	<u>157,655,799</u>	<u>39,075</u>
Total noncurrent assets	<u>59,775,119</u>	<u>76,969,282</u>	<u>31,866,021</u>	<u>12,741,666</u>	<u>181,352,088</u>	<u>39,075</u>
TOTAL ASSETS	<u>85,733,647</u>	<u>93,726,476</u>	<u>47,062,087</u>	<u>14,453,307</u>	<u>240,975,517</u>	<u>5,845,237</u>
LIABILITIES						
Current liabilities:						
Accounts payable and other liabilities	696,877	1,776,967	1,556,326	265,267	4,295,437	155,578
Accrued interest	1,731,278	600,485	16,399		2,348,162	
Due to other funds			475,262		475,262	
Unearned revenue		71,175	1,168,218		1,239,393	
Self-insurance liability						2,265,383
Accrued compensated absences	280,616	231,799	6,399	976	519,790	67,293
Certificates of participation payable	2,083,948	1,365,904			3,449,852	
Water note payable			163,810		163,810	
Total current liabilities	<u>4,792,719</u>	<u>4,046,330</u>	<u>3,386,414</u>	<u>266,243</u>	<u>12,491,706</u>	<u>2,488,254</u>
Noncurrent liabilities:						
Self-insurance liability						4,130,617
Accrued compensated absences	773,402	765,357	23,108		1,561,867	105,134
Certificates of participation payable	74,672,566	37,405,504			112,078,070	
Water note payable			1,754,606		1,754,606	
Total noncurrent liabilities	<u>75,445,968</u>	<u>38,170,861</u>	<u>1,777,714</u>		<u>115,394,543</u>	<u>4,235,751</u>
TOTAL LIABILITIES	<u>80,238,687</u>	<u>42,217,191</u>	<u>5,164,128</u>	<u>266,243</u>	<u>127,886,249</u>	<u>6,724,005</u>
NET ASSETS (DEFICIT)						
Invested in capital assets, net of related debt	8,009,024	48,486,791	28,723,203	12,741,666	97,960,684	39,075
Restricted:						
Other purposes			8,710,994		8,710,994	
Unrestricted (deficit)	(2,514,064)	3,022,494	4,463,762	1,445,398	6,417,590	(917,843)
TOTAL NET ASSETS (DEFICIT)	<u>\$ 5,494,960</u>	<u>51,509,285</u>	<u>41,897,959</u>	<u>14,187,064</u>	<u>\$ 113,089,268</u>	<u>\$ (878,768)</u>

CITY OF LODI
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year ended June 30, 2007

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit	Total	
OPERATING REVENUES						
Charges for services	\$ 65,808,864	8,523,530	10,039,706	400,826	\$ 84,772,926	\$ 10,100,165
OPERATING EXPENSES						
Personnel services	4,597,337	2,289,035	1,077,002	115,746	8,079,120	1,255,538
Supplies, materials and services	8,904,769	2,314,233	6,924,896	2,810,889	20,954,787	6,003,510
Utilities	43,429,227	683,669	698,063	47,369	44,858,328	14,587
Depreciation and amortization	6,625,207	1,967,035	1,106,609	602,803	10,301,654	1,447
Claims						1,578,383
TOTAL OPERATING EXPENSES	63,556,540	7,253,972	9,806,570	3,576,807	84,193,889	8,853,465
OPERATING INCOME (LOSS)	2,252,324	1,269,558	233,136	(3,175,981)	579,037	1,246,700
NONOPERATING REVENUES (EXPENSES)						
Investment income	1,206,412	922,153	235,742	15,428	2,379,735	203,234
Interest expense	(3,977,282)	(2,016,697)	(68,132)		(6,062,111)	
Rent		176,202	12,049	4,000	192,251	
Operating grants				2,621,063	2,621,063	
Litigation-environmental lawsuits proceeds			6,222,568		6,222,568	
Other revenues	849,797	259,618	353,028	94,543	1,556,986	685,412
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,921,073)	(658,724)	6,755,255	2,735,034	6,910,492	888,646
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	331,251	610,834	6,988,391	(440,947)	7,489,529	2,135,346
Capital contributions	69,000	11,475,030	7,296,968	1,142,763	19,983,761	40,522
Transfers in		2,377,724			2,377,724	
Transfers out	(2,702,736)	(1,062,533)	(3,339,779)		(7,105,048)	
Net capital contributions and transfers	(2,633,736)	12,790,221	3,957,189	1,142,763	15,256,437	40,522
Change in net assets	(2,302,485)	13,401,055	10,945,580	701,816	22,745,966	2,175,868
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	7,797,445	38,108,230	30,952,379	13,485,248	90,343,302	(3,054,636)
NET ASSETS (DEFICIT) - END OF YEAR	\$ 5,494,960	51,509,285	41,897,959	14,187,064	\$ 113,089,268	\$ (878,768)

The notes to the financial statements are an integral part of this report.

CITY OF LODI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2007

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit	Total	
Cash flows from operating activities:						
Receipts from customers and users	\$ 65,381,498	7,393,356	4,749,095	(404,057)	\$ 77,119,892	\$ 490,763
Receipts from interfund services provided	380,769				380,769	10,100,165
Cash paid to suppliers for goods & services	(54,630,021)	(1,068,931)	(6,885,369)	(2,739,294)	(65,323,615)	(8,291,928)
Payments to employees	(4,739,525)	(2,225,027)	(1,087,695)	(117,746)	(8,169,993)	(1,083,111)
Payments for interfund services provided	(2,385)	(630,045)	(671,117)	(31,833)	(1,335,380)	
Proceeds from litigation settlements			6,222,568		6,222,568	
Net cash provided by (used in) operating activities	6,390,336	3,469,353	2,327,482	(3,292,930)	8,894,241	1,215,889
Cash flows from noncapital financing activities:						
Loaned from other funds			475,262		475,262	
Operating grants				2,621,063	2,621,063	
Transfers in		2,377,724			2,377,724	
Transfers out	(2,702,736)	(1,062,533)	(3,339,779)		(7,105,048)	
Net cash provided by (used in) noncapital financing activities	(2,702,736)	1,315,191	(2,864,517)	2,621,063	(1,630,999)	
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(613,011)	(6,511,739)	(699,421)	(1,105,264)	(8,929,435)	
Fees received from developers		1,454,915	119,837		1,574,752	
Capital grants received		74,941		1,119,488	1,194,429	
Principal payments on debt	(2,350,000)	(1,315,000)	(158,489)		(3,823,489)	
Interest payments on debt	(4,134,214)	(2,054,520)	(69,487)		(6,258,221)	
Net cash provided by (used in) capital and related financing activities	(7,097,225)	(8,351,403)	(807,560)	14,224	(16,241,964)	
Cash flows from investing activities:						
Rent of City property		176,202	12,049	4,000	192,251	
Proceeds from sales and maturities of investments		12,408,768			12,408,768	
Interest on investments	1,191,586	925,459	253,768	15,428	2,386,241	169,735
Net cash provided by investing activities	1,191,586	13,510,429	265,817	19,428	14,987,260	169,735
Net increase (decrease) in cash and cash equivalents	(2,218,039)	9,943,570	(1,078,778)	(638,215)	6,008,538	1,385,624
Cash and cash equivalents, beginning of year, restated	17,511,336	1,916,096	9,790,543	851,427	30,069,402	4,060,416
Cash and cash equivalents, end of year	\$ 15,293,297	11,859,666	8,711,765	213,212	\$ 36,077,940	\$ 5,446,040
Reconciliation to the statement of net assets:						
Cash and investments	\$ 5,162,284	3,000,445		213,212	\$ 8,375,941	\$ 5,446,040
Restricted cash and investments			8,410,994		8,410,994	
Restricted assets with fiscal agents	10,131,013	11,029,071	300,771		21,460,855	
Less long-term investments		(2,169,850)			(2,169,850)	
Total cash and cash equivalents	\$ 15,293,297	11,859,666	8,711,765	213,212	\$ 36,077,940	\$ 5,446,040
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating Income (loss)	\$ 2,252,324	1,269,558	233,136	(3,175,981)	\$ 579,037	\$ 1,246,700
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	6,625,207	1,967,035	1,106,609	602,803	10,301,654	1,447
Proceeds from litigation settlements			6,222,568		6,222,568	
Other revenues	849,797	259,618	353,028	94,543	1,556,986	685,412
Change in assets and liabilities:						
Decrease (increase) in accounts receivable	727,412	(1,290,572)	(5,643,557)	(12,732)	(6,219,449)	(203,635)
Increase in advance receivables	(1,625,082)				(1,625,082)	
Increase in interest receivables				(1,815)	(1,815)	
Increase in due from other governmental agencies		(67,280)		(884,879)	(952,159)	
Decrease (increase) in inventory	(34,819)	692	(3,410)		(37,537)	(108,524)
Decrease (increase) in other assets	1,276	(213)	(82)		981	8,986
Increase (decrease) in accounts payable and other liabilities	(2,263,591)	1,298,234	69,883	87,131	(808,343)	100,076
Increase (decrease) in compensated absences	(142,188)	64,008	(10,693)	(2,000)	(90,873)	172,427
Decrease in unearned revenue		(31,727)			(31,727)	
Decrease in self-insurance liability						(687,000)
Net cash provided by (used in) operating activities	\$ 6,390,336	3,469,353	2,327,482	(3,292,930)	\$ 8,894,241	\$ 1,215,889
<u>Noncash Investing, Capital and Financing Activities</u>						
Capital contributions	\$ 69,000	9,945,174	7,177,131	23,275	\$ 17,214,580	\$ 40,522

CITY OF LODI
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2007

	<u>Private-Purpose Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and Investments	\$ 848,151	\$ 589,683
Receivables:		
Special assessments		79,508
Interest		5,495
TOTAL ASSETS	<u>848,151</u>	<u>674,686</u>
 LIABILITIES		
Agency obligations		674,686
TOTAL LIABILITIES		<u>674,686</u>
 NET ASSETS	 <u><u>\$ 848,151</u></u>	 <u><u>\$</u></u>

CITY OF LODI
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year ended June 30, 2007

	Private-Purpose Trust Funds
ADDITIONS	
Investment and rental income	\$ 100,627
Total additions	<u>100,627</u>
DEDUCTIONS	
Current	
Library	<u>11,866</u>
Total deductions	<u>11,866</u>
CHANGE IN NET ASSETS	88,761
NET ASSETS, BEGINNING OF YEAR	759,390
NET ASSETS, END OF YEAR	<u>\$ 848,151</u>

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NOTES TO THE FINANCIAL STATEMENTS

CITY OF LODI
Notes to Basic Financial Statements
June 30, 2007

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) The Financial Reporting Entity

The City of Lodi (City) was incorporated on December 6, 1906, as a municipal corporation under the General Laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: general government, public works, community development, public protection (police and fire), public utilities, library, parks and recreation.

The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applicable to governments in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles.

An elected five-member council governs the City of Lodi. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The component units, although legally separate entities, are, in substance, part of the City's operations and therefore, their activities are blended with data of the City.

Blended Component Units

The blended component units of the City are as follows:

The Lodi Public Improvement Corporation (LPIC) was formed on April 26, 1988, for the purpose of rendering financial assistance to the City in the issuance of the 1988 Certificates of Participation (refunded by the issuance of the 1991 Certificates of Participation) to finance the expansion of the City's White Slough Pollution Control Facility, the 1995 and 1996 Certificates of Participation to finance the Central City Revitalization Projects and the Performing Arts/ Conference Center, (refunded by the issuance of the 2002 Certificates of Participation), the issuance of the 1999 Certificates of Participation to finance the Electric Systems improvements (refunded by the 2002 Certificates of Participation Series A and B), the 2002 Certificates of Participation Series C and D to fund the buy-out of the CalPine Energy Purchase Commitment, and the issuance of the 2004 Wastewater System Revenue Certificates of Participation Series A to provide funds to finance the costs of certain improvements to the wastewater collection, treatment and disposal system of the City.

The City Council constitutes the Board of Directors of LPIC. The funds of LPIC have been included in the Enterprise (Electric and Wastewater) Funds and in the other governmental funds in the accompanying basic financial statements.

The Lodi Financing Corporation (LFC) was formed on October 12, 1999, for the purpose of assisting the City with the financing of the costs of its environmental abatement program and enhancing the water supply of the City for the use, benefit and enjoyment of the citizens served by the City. The City Council is the Board of Directors of LFC. The funds of LFC are included in the Water Fund in the accompanying basic financial statements.

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

(b) Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities that rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(c) Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus and accrual basis of accounting*, as are the proprietary fund and private-purpose trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grant and similar items are recognized as revenue as soon as all eligibility requirements have been met. Agency funds use the accrual basis of accounting, but they do not have a measurement focus.

Governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal year. All other revenues are considered to be available if they are generally collected within 120 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

Property taxes, other local taxes, licenses, intergovernmental revenues, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are considered to be measurable and available when the City receives cash.

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

The City reports the following major governmental fund:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The City reports the following major proprietary (enterprise) funds:

The **Electric Fund** accounts for the provision of electric services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including but not limited to, source of supply, overhead, systems maintenance, customer service, engineering, administration, capital improvements, and maintenance and debt service.

The **Wastewater Fund** accounts for the provision of wastewater collection and treatment services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, improvements and debt service.

The **Water Fund** accounts for the provision of water to the residents of the City as well as some customers in the County. All activities to provide such services are accounted for in this fund, including, but not limited to administration, operations, distribution, maintenance, capital improvements and debt service.

Additionally, the City reports the following fund types:

The **Internal Service Funds** account for the City's claims and benefits and fleet services.

The **fiduciary funds** account for assets held in trust for other agencies.

Private-Purpose Trust Funds are used to account for trust agreements under which the principal and income benefit individuals, private organizations or other governments. They were established to account for assets held and invested by the Library Board as trustee; and to account for assets held by the City in accordance with a trust agreement on behalf of the Hutchins Square. These funds can only be spent in accordance with the trust agreements.

Agency Fund accounts for assets held by the City as a trustee or as an agent for individuals, private organizations, related organizations and/or other governmental units. This fund was established to account for special assessments collected on the property tax roll by the City on behalf of the property owners within the Industrial Way/Beckman Districts, the Downtown/Cherokee Lane Districts and various landscape and lighting districts around the City.

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed in both the business-type activities in the government-wide and the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. The City also has the option of the following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges to other City departments from the Electric, Wastewater, Water and Transit Funds. These charges have not been eliminated because elimination would distort the direct costs and program revenues reported in the statement of activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges for customer services including: electric, wastewater, water and public transportation fees. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

(d) Cash and Investments

The City maintains a cash and investment pool that is available for all funds of the City for the purpose of increasing interest earnings through investment activities. Investments are generally stated at fair value with the exception of guaranteed investment contracts, which are stated at cost. Income earned or losses arising from the investment of pooled cash are allocated to various funds based on month-end cash balances in accordance with California Government Code Section 53647. Changes in fair value of investments are recognized as a component of investment income.

Cash and cash equivalents were increased at June 30, 2006 by \$10,529,239, \$49,291, and \$300,739 from the amount previously reported in the Electric, Wastewater, and Water funds, respectively. These increases represent the proceeds from debt and other cash and investments held by fiscal agents by agreement classified as restricted assets that meet the definition of cash and cash equivalents.

(e) Restricted Cash and Investments

The City established an escrow account (the "Central Plume Fund") into which certain settlement payments were deposited with the mutual agreement between the City and the other parties that these funds will be used exclusively for environmental clean up, investigation or remediation expenses incurred by the City in the Central Plume Area and that it will not be used for the payment of legal or technical fees. These funds are accounted for in the Water Fund.

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

(f) Restricted Assets with Fiscal Agents

In the Enterprise (Electric) Fund, restricted assets represent the proceeds of the 1999 Certificates of Participation held by the trustee for the planned improvements of the City electric systems. In the Capital Outlay Reserve Fund, the restricted assets represent the proceeds of the 2002 Improvement bonds reserved for debt service. In the Wastewater fund, the restricted assets represent the proceeds of the 2003B and the 2004A Certificates of Participation issued for improvements to the City's wastewater collection, treatment and disposal system. In the Water Fund, the restricted assets represent funds held by the attorneys in connection with the PCE/TCE litigation.

(g) Property Taxes

San Joaquin County is responsible for assessing, collecting and distributing property taxes in accordance with enabling legislation. Revenue received is based on an allocation factor calculated by the County under the provisions of Proposition 13 plus a percentage of the increase in market value in specific areas. The City's property tax is lien based on the assessed value listed as of the prior January 1st for all real and personal property located in the City. Property sold after the assessment date (January 1st) is reassessed and the amount of property tax assessed is prorated. The assessed value at January 1, 2005, upon which the 2006 levy was based, was \$5,043,996,000.

Secured property taxes are levied on October 1 and are due in two installments on November 1 and February 1. The tax becomes delinquent after December 10 and April 10, respectively. Unsecured property tax is levied on July 1, due on July 31 and becomes delinquent after August 31.

Property taxes levied for the year ended June 30, 2007, are recorded as receivables, net of estimated uncollectible amounts. Property taxes paid to the City by the County within 60 days of the fiscal year end are considered "available" and are, therefore, recognized as revenue.

In 1993, the City made an agreement with the San Joaquin County to participate in the Teeter Plan. The Teeter plan is an alternative method of apportioning property tax money. The cities receive 95% of the property taxes in advance from the County and the 5% remaining after reconciling the cities' balances at June 30. As part of the agreement, the County keeps the penalties and interest on the delinquent taxes.

(h) Due From/Due To Other Funds, Advances To/Advances From Other Funds, and Internal Balances

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. In the fund financial statements, these receivables and payables are classified as "due from other funds" or "due to other funds." Long-term interfund loans receivable are reported as "advances to other funds." The corresponding long-term interfund loans payable are reported as "advances from other funds." In the government-wide financial statements, these receivables and payables are eliminated within the governmental activities and business-type activities columns. Receivables and payables between the governmental activities and the business-type activities are classified as internal balances.

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

(i) Transfers

In the fund financial statements, interfund transfers are recorded as transfers in (out) except for transactions that are described below:

Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund at the end of fiscal year.

Reimbursements for expenditures, initially made by one fund that is properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as other revenue in the fund that is reimbursed. Reimbursements are eliminated for purposes of government-wide reporting.

(j) Long-term obligations

In the government-wide financial statements and in the proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Gains or losses occurring from advance refunding are deferred and amortized into expense for both governmental and business-type activities.

(k) Loan receivable

Loan receivable reported in the HOME Program & Community Development Block Grants Special Revenue Fund represent funds the City loaned to a developer on November 15, 1995 for a low-income housing project. The City will receive principal and interest from the original loan in 2025 and can use it for allowable projects or to make new loans.

(l) Advance receivable

Advance receivable reported in the Enterprise Fund (Electric) represents the City's portion of the Northern California Power Agency's (NCPA) General Operating reserve that is refundable upon demand by the City. (See Note 13.)

(m) Inventory

General fund inventories are recorded at cost and are recognized as expenditures when consumed rather than when purchased. For the proprietary fund types, inventories are recorded at cost using the weighted average cost method, which approximates market, and expense is recognized when inventories are consumed in operations.

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

(n) Deferred Charges

Deferred charges reported in the Electric Fund include costs incurred in connection with the issuance of the 2002 Certificates of Participation Series A and B amortized over 30 years. It also includes the buyout cost of the Calpine energy purchase contract amortized over 9.5 years. The deferred charges reported in the Wastewater Fund include costs incurred on the issuance of the 1991 Certificates of Participation amortized over 32.5 years and the costs incurred on the issuance of the 2003B and 2004A Certificates of Participation amortized over 20 years.

(o) Capital Assets

Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles, infrastructure (e.g., streets, streetlights, traffic signals, sidewalks, and bridges), and electric lines, wastewater lines and storm drains are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary funds financial statements. Capital assets are defined by the City as assets with individual cost of \$3,000 or more and have an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures in the General and other governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset useful lives are not capitalized.

As required by the Governmental Accounting Standards Board Statement No. 34, beginning July 1, 2002, the City has capitalized infrastructure, primarily its network of streets, as part of the capital assets shown in the governmental activities column on the government-wide statement of net assets. This capitalization included infrastructure that could be identified and has been acquired since July 1, 1980.

Depreciation of capital assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	3 - 40
Machinery and equipment	2 - 40
Vehicles	5 - 15
Infrastructure	10 - 50

(p) Compensated Absences/Vacation and Sick Leave

Accumulated vacation and vested sick leave benefits are accrued when incurred in the government-wide financial statements and the proprietary funds financial statements. A liability for these amounts is reported in the governmental funds only if they have matured.

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

(q) Self-Insurance

The City is self-insured for general liability, workers' compensation, dental benefits, unemployment and long-term disability. Various City funds are charged premiums for the City's self-insurance liability, which is accounted for as an internal service fund. The accrued liability for estimated self-insured claims represents an estimate of the eventual loss on claims arising prior to year-end including claims incurred but not reported.

(r) Fund Equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(s) Statement of Cash Flows

A statement of cash flows is presented for proprietary fund types. For purposes of reporting cash flows, the City considers all highly liquid investments with maturities of three months or less when purchased and investments maintained in the pool to be cash equivalents.

(t) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

(2) CASH AND INVESTMENTS

Cash and investments as of June 30, 2007 are classified in the accompanying financial statements as follows:

Statement of net assets:		
Cash and investments	\$	31,120,422
Restricted assets		31,622,053
Fiduciary funds cash and investments:		
Private-purpose trust funds		848,151
Agency fund		589,683
Total cash and investments	\$	<u>64,180,309</u>

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

Cash and investments as of June 30, 2007 consist of the following:

Cash on hand	\$ 2,071
Deposits with financial institutions	17,140,453
Restricted cash with fiscal agent	300,000
Investments	<u>46,737,785</u>
Total cash and investments	<u>\$ 64,180,309</u>

a) Authorized Investments

The City has adopted an investment policy pursuant to Government Code Section 53601 which authorizes the City to invest in obligations of the U.S. Treasury, U.S Government agency securities and instruments, commercial paper rated A-1 by Standard & Poor's or P-1 by Moody's Commercial Paper Record, bankers' acceptances, certificates of deposit, mutual funds, government investment contracts, medium term notes as permitted by the Government Code, and the State of California Local Agency Investment Fund (LAIF). The City is not authorized to enter into reverse repurchase agreements. The City selects its investments based on safety, liquidity and yield.

b) Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by the provisions of the debt agreements and to the extent that they are permissible investments of funds of the City. The following table below identifies the permitted investment types authorized per the City's investment policy. The table also identifies certain provisions that address interest rate risk, credit risk, and concentration of credit risk.

Permitted Investments/Deposits	Maximum Maturity	Maximum % of Portfolio	Maximum Investment in One issuer	Minimum Credit Quality
U.S. Treasury Obligations	5 years	100%		AAA
U.S. Agency Securities	5 years	100%		AAA
Banker's Acceptances	180 days	40%	25%	AAA
Certificates of Deposit	5 years	100%	33%	
Negotiable Certificates of Deposit	5 years	30%		
Commercial Paper	270 days	40%		AAA
California State Local Agency Investment Fund (LAIF)	Indefinite	100%	\$40m per account	unrated
Money Market Mutual Funds	Indefinite	20%		AAA
Guaranteed investment contracts (GICs)	5 years	100%		AA-
Medium term Notes	5 years	30%		AAA

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

c) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

Investment as of June 30, 2007	Maturity <u>Less than One Year</u>	Maturity <u>One to Five Years</u>	<u>Total</u>
LAIF	\$ 23,088,384	\$	23,088,384
Money Market Mutual Funds	585,820		585,820
Equities and options	152,511		152,511
Held by bond trustee:			
Money Market Mutual Funds	20,741,220		20,741,220
Guaranteed investment contracts (GICs)		2,169,850	2,169,850
Total	\$ <u>44,567,935</u>	<u>2,169,850</u>	\$ <u>46,737,785</u>

Investments in equities are shares of stocks received by the Library as an endowment from a private citizen.

d) Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The money market funds are registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and have a rating by S & P of "AAAm-G," "AAA-m" or "AA-m" and rated by Moody's "Aaa," "Aa1" or "Aa2." The GICs and LAIF do not have a rating provided by a nationally recognized statistical rating organization.

e) Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in LAIF and money market mutual funds are not subject to the concentration of credit risk disclosure.

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

f) Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured deposits. \$17,441,229 of the City's deposits with financial institutions, which exceeded federal depository insurance limits, was collateralized in this fashion.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of another party. The California Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools such as LAIF.

g) Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The total amount invested by all public agencies in LAIF at June 30, 2007 was \$19.7 billion. LAIF is part of the California Pooled Investment Account (PMIA), which at June 30, 2007 had a balance of \$65.6 billion. Of this amount, 3.466% were invested in structured notes and asset-backed securities. PMIA is not SEC-registered, but is required to invest according to California State Code. The average maturity of PMIA investments was 176 days as of June 30, 2007.

The Local Investment Advisory Board has oversight responsibility for LAIF. The Board consists of five members as designated by state statute. The value of the pool of shares in LAIF, which maybe withdrawn, is determined on an amortized cost basis, which is different than the fair value of the pooled treasury's portion in the pool. Withdrawals from LAIF are done on a dollar for dollar basis.

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

In accordance with GASB 31, investments are marked to fair values annually and an adjustment is made to each fund accordingly. However, actual daily activity is done on a dollar to dollar basis and only a withdrawal from the pool size that jeopardizes pool participants would cause the withdrawal to be done at market value.

(3) ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Receivables of the General Fund, Electric, Wastewater and Water funds are reported net of uncollectible amounts. Total allowance provided for uncollectible amounts related to receivables of the current period are as follows:

Uncollectibles related to late charges and services	\$ 22,300
Uncollectibles related to electric sales and services	213,000
Uncollectibles related to wastewater services	56,700
Uncollectibles related to water sales and services	<u>68,800</u>
Total uncollectibles of the current fiscal year	<u><u>\$ 360,800</u></u>

(4) INTERFUND RECEIVABLES/PAYABLES

Interfund receivables and payables at June 30, 2007 are as follows:

Due from	Due to	Amount
Other governmental	General Fund	\$ 149,568
Water Fund	Other governmental	475,262
Other governmental	Other governmental	<u>502,802</u>
		<u><u>\$ 1,127,632</u></u>

"Due to" and "due from" balances are recorded primarily when funds overdraw their share of pooled cash or when there are short-term loans between funds. The \$ 149,568 and \$502,802 represent cash deficits in other governmental funds. The Water Fund had a cash deficit of \$475,262.

Advances from	Advances to	Amount
General	Other governmental	\$ 272,800
Other governmental	Other governmental	646,770
Water	Other governmental	<u>1,225,173</u>
		<u><u>\$ 2,144,743</u></u>

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

The \$272,800 from the General Fund to the Other governmental is an advance used for the start up costs of a redevelopment agency. The \$646,770 advance from Other governmental was used for the Lower Sacramento Road expansion project and other street projects. The \$1,225,173 advanced from the Water Fund was used for the construction of Fire Station #4.

(5) TRANSFERS

Transfers for the year ended June 30, 2007, are summarized as follows:

<u>Transfers in</u>				
Other				
<u>Transfers out:</u>	General	Governmental	Wastewater	Total
General	\$	3,401,814		\$ 3,401,814
Other governmental	332,990	401,542		734,532
Electric	2,702,736			2,702,736
Wastewater	939,533	123,000		1,062,533
Water	962,055		2,377,724	3,339,779
Total	\$ 4,937,314	3,926,356	2,377,724	\$ 11,241,394

During the year, various interfund transfers were made to finance expenditures, subsidize operating losses and service debt.

Transfers out from Other Governmental to the General Fund of \$332,990 include transfers of \$115,130 from Fire Facilities Impact fees to cover lease payment of the new fire truck; \$50,000 to reimburse the General Fund for the costs associated with the administration of the IMF program; \$164,760 for engineering costs of services; and \$3,100 for the Arts in Public Places program.

The \$2,702,736 transfer out from the Electric Fund is for cost of services reimbursement to the General Fund, \$939,533 from Wastewater includes cost of services of \$908,793 and engineering cost of \$30,740. The \$962,055 from Water includes \$909,259 for cost of services and \$52,796 for engineering costs.

The \$3,401,814 transfers out from the General Fund to Other Governmental represent transfers of \$1,682,842 to the Debt Service Fund for the principal, interest and fiscal charges required to pay the 2002 Certificates of Participation; \$300,000 to the Community Development Fund; \$1,337,271 to the Vehicle and Equipment Replacement Fund which include \$1,012,010 for vehicles, \$50,000 for equipment, \$165,000 for information systems replacements and \$110,261 for photocopiers; \$54,789 for the Blakely Pool maintenance work; \$16,000 for benches and tables at Lodi Lake; \$8,680 for fire prevention tools and \$2,232 for sidewalk repairs.

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

The transfer out of \$401,542 from Other Governmental to Other Governmental includes \$300,000 transferred from the Capital Outlay Reserve Fund to the Community Development Fund; and the annual transfer of \$96,106 to the Debt Service Fund for the principal and interest payment of the City's Measure K loan from San Joaquin Council of Governments for the construction costs incurred for the Highway 12/Kettleman Lane/Highway 99 Interchange Improvements project and transfer of \$5,436 for Fleet replacement.

The \$123,000 transfer out from Wastewater Fund to the Other Governmental is for the reimbursement of additional cost of street sweeping. The transfer of \$2,377,724 from the Water Fund to the Wastewater Fund is for the reimbursement of PCE/TCE charges.

(6) CAPITAL ASSETS

Capital assets activity of the primary government for the year-ended June 30, 2007, was as follows:

<u>Governmental activities</u>	<u>Balance June 30, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2007</u>
Capital assets, not being depreciated:				
Land	\$ 24,016,374			\$ 24,016,374
Work of art	62,024			62,024
Construction in progress	3,200,590	843,916	(1,298,914)	2,745,592
Total capital assets, not being depreciated	27,278,988	843,916	(1,298,914)	26,823,990
Capital assets, being depreciated:				
Buildings and improvements	56,812,827			56,812,827
Machinery and equipment	7,772,000	613,192		8,385,192
Vehicles	8,847,785	216,353		9,064,138
Infrastructure	107,501,719	5,328,645		112,830,364
Total capital assets, being depreciated	180,934,331	6,158,190		187,092,521
Less accumulated depreciation for:				
Buildings and improvements	17,528,749	1,491,412		19,020,161
Machinery and equipment	6,691,503	361,728		7,053,231
Vehicles	7,106,506	482,935		7,589,441
Infrastructure	39,350,670	5,024,893		44,375,563
Total accumulated depreciation	70,677,428	7,360,968		78,038,396
Total capital assets, being depreciated, net	110,256,903	(1,202,778)		109,054,125
Governmental activities capital assets, net	\$ 137,535,891	(358,862)	(1,298,914)	\$ 135,878,115

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

<u>Business-type activities</u>	Balance			Balance
	June 30, 2006	Increases	Decreases	June 30, 2007
Capital assets, not being depreciated:				
Land	\$ 5,247,806			\$ 5,247,806
Construction in progress	19,700,032	7,748,007	(1,079,758)	26,368,281
Total capital assets, not being depreciated	24,947,838	7,748,007	(1,079,758)	31,616,087
Capital assets, being depreciated:				
Buildings and improvements	34,461,202			34,461,202
Machinery and equipment	116,178,355	18,841,846		135,020,201
Vehicles	6,931,878	633,920		7,565,798
Total capital assets, being depreciated	157,571,435	19,475,766		177,047,201
Less accumulated depreciation for:				
Buildings and improvements	8,071,034	860,415		8,931,449
Machinery and equipment	32,688,648	3,972,421		36,661,069
Vehicles	4,943,362	471,609		5,414,971
Total accumulated depreciation	45,703,044	5,304,445		51,007,489
Total capital assets, being depreciated, net	111,868,391	14,171,321		126,039,712
Business-type activities capital assets, net	\$ 136,816,229	21,919,328	(1,079,758)	\$ 157,655,799

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

Depreciation expense was charged to function/programs of the primary government as follows:

Governmental activities:

General government	\$ 646,129
Public protection	941,514
Public works	5,135,138
Community development	3,190
Library	31,949
Parks and recreation	601,601
Internal service funds	1,447
Total depreciation expense - governmental activities	<u>\$ 7,360,968</u>

Business-type activities:

Electric	\$ 1,685,118
Wastewater	1,909,915
Water	1,106,609
Transit	602,803
Total depreciation expense - business-type activities	<u>\$ 5,304,445</u>

(7) OPERATING LEASES

The City is obligated under various operating leases for the use of buildings and office space. Total costs for such leases were \$151,995 for the year ended June 30, 2007.

Future minimum lease payments required by lease agreements that have initial or remaining noncancellable lease terms of one year or more as of June 30, 2007, are as follows:

<u>Fiscal Years Ending</u>	
2008	\$ <u>152,036</u>
Total minimum lease payments required under operating leases	<u>\$ 152,036</u>

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

8) LONG-TERM OBLIGATIONS

The following is a summary of debt transactions of the City for the year ended June 30, 2007:

	Interest Rates	June 30, 2006	Additions	Reductions	June 30, 2007	Amounts Due Within One Year
Governmental activities:						
Compensated absences		\$ 9,865,159	3,596,531	(3,078,297)	\$ 10,383,393	\$ 2,692,054
2002 Certificates of Participation	3.0-5.0%	24,510,000		(535,000)	23,975,000	555,000
Note payable	5.0%	245,000			245,000	
Loan payable	4.0%	278,513		(91,233)	187,280	92,828
Capital leases	5.3-5.39%	929,937		(273,823)	656,114	249,624
Self-insurance liability		7,083,000	1,578,383	(2,265,383)	6,396,000	2,265,383
Governmental activity long-term liabilities		<u>\$ 42,911,609</u>	<u>5,174,914</u>	<u>(6,243,736)</u>	<u>\$ 41,842,787</u>	<u>\$ 5,854,889</u>
	Interest Rates	June 30, 2006	Additions	Reductions	June 30, 2007	Amounts Due Within One Year
Business-type activities:						
Compensated absences		\$ 2,172,530	519,790	(610,663)	\$ 2,081,657	\$ 519,790
California Safe Drinking Water Note Payable	3.41%	2,076,905		(158,489)	1,918,416	163,810
Certificates of Participation:						
1991 Certificates of Participation	4.5-6.6%	9,010,000		(210,000)	8,800,000	225,000
Less deferred amounts:						
For issuance discounts		(296,753)		14,475	(282,278)	(14,475)
Net		<u>8,713,247</u>		<u>(195,525)</u>	<u>8,517,722</u>	<u>210,525</u>

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

						Amounts Due Within One Year
	Interest Rates	* June 30, 2006	Additions	Reductions	June 30, 2007	
2002 Certificates of Participation A & B	Variable	46,760,000			46,760,000	
Less deferred amounts:						
From refunding		(6,880,542)		286,688	(6,593,854)	(286,688)
Net		39,879,458		286,688	40,166,146	(286,688)
2002 Certificates of Participation C & D	1.54-5.25%	38,645,000		(2,350,000)	36,295,000	2,305,000
Add deferred amounts:						
For issuance premium		361,004		(65,636)	295,368	65,636
Total		39,006,004		(2,415,636)	36,590,368	2,370,636
2003 Certificates of Participation B	2.0-5.0%	4,630,000		(190,000)	4,440,000	195,000
Add deferred amounts:						
For issuance premium		70,759		(4,102)	66,657	4,102
Total		4,700,759		(194,102)	4,506,657	199,102
2004 Certificates of Participation A	2.0-5.5%	26,295,000		(915,000)	25,380,000	935,000
Add deferred amounts:						
For issuance premium		388,306		(21,277)	367,029	21,277
Total		26,683,306		(936,277)	25,747,029	956,277
Total Certificates of Participation		118,982,774		(3,454,852)	115,527,922	3,449,852
Business-type activity long-term liabilities		\$ 123,232,209	519,790	(4,224,004)	\$ 119,527,995	\$ 4,133,452

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end \$6,396,000 of internal service funds self-insurance liability and \$172,427 of compensated absences were included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the General Fund and the internal service funds.

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

Long-term debt payable at June 30, 2007, comprised of the following individual issues:

California Safe Drinking Water Note Payable

The City entered into a contract on October 16, 1991, with the State of California Department of Water Resources to assist the City in financing the construction of water wells enabling the City to meet safe drinking water standards established by the State. The original amount of the note was \$3,129,828 and is secured by the project and a pledge of user fees collected by the Water Enterprise Fund. Semiannual payments of \$113,988, are payable each October 1 and April 1 through 2017.

Annual debt service requirements to maturity of water note payable are as follows:

Fiscal Year Ending June 30,	Business-type Activities	
	Principal	Interest
2008	\$ 163,810	\$ 64,166
2009	169,695	58,281
2010	175,409	52,567
2011	181,442	46,534
2012	187,602	40,374
2013-2017	1,040,458	99,422
Total	\$ <u>1,918,416</u>	\$ <u>361,344</u>

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

Note Payable

The City issued a \$245,000 promissory note to James E. Dean and Carol Dean, as trustees of the James E. Dean Family Trust, for the purchase of 307 W. Elm Street property, which is the site of the new Public Safety Building. Interest is payable quarterly and principal is due on April 1, 2012.

Annual debt service requirements to maturity of the note payable are as follows:

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2008	\$	\$ 14,700
2009		14,700
2010		14,700
2011		14,700
2012	245,000	11,025
Total	\$ 245,000	\$ 69,825

Loan Payable

The City entered into an agreement and issued a promissory note to San Joaquin County Council of Governments, a joint powers agency acting as the San Joaquin County Transportation Authority, in the amount of \$840,000 on February 5, 1999 for the purpose of funding the Kettleman Lane/SR 99 Interchange project. The balance remaining as of June 30, 2007, is \$187,280. Interest and principal is due and payable annually and matures on July 1, 2009.

Annual debt service requirements to maturity of loan payable are as follows:

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2008	\$ 92,828	3,277
2009	94,452	1,653
Total	\$ 187,280	\$ 4,930

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

Certificates of Participation

\$11,170,000 Certificates of Participation (1991 Wastewater Treatment Plant Expansion Refunding Project) were sold in December 1991 for the repayment of the 1988 Wastewater Treatment Plant Expansion Project at a lower interest rate with approximately \$1,400,000 of additional proceeds. Principal is payable annually on August 1 in amounts from \$100,000 to \$760,000 with final payment due August 1, 2026.

\$5,000,000 California Statewide Communities Development Authority Water and Wastewater Revenue Bonds were issued on October 7, 2003. The City of Lodi along with the City of Fort Bragg issued \$9.855 million 2003 Series B revenue bonds through the California Statewide Communities Development Authority (the "Authority") pooled financing program. The City of Lodi's portion is \$5.0 million for the upgrade of its wastewater facilities. Principal is payable annually on October 1 in amounts from \$185,000 to \$365,000 with final payment due October 1, 2023.

The Authority's Water and Wastewater Pooled Financing Program is available to California water and wastewater agencies to facilitate the financing or refinancing of capital improvements. The program is available to California cities and special districts that operate water or wastewater enterprises. The Authority is authorized pursuant to Chapter 5 of Division 7 of Title 1 of the California Government Code to issue bonds to finance and refinance water and wastewater public capital improvements of local agencies located throughout California.

\$27,360,000 Certificates of Participation (2004A COP) were issued on May 12, 2004 to provide funds to finance the costs of certain improvements to the wastewater collection, treatment and disposal system of the City. Principal is payable annually on October 1 in amounts from \$170,000 to \$2,070,000 with final payment due October 1, 2024.

\$26,745,000 Certificates of Participation (2002 COP) were issued in January 2002 to provide funds to finance the costs of constructing, furnishing and equipping a new police building and jail for the City; to finance portions of certain other projects and to refund the outstanding 1995 and 1996 Certificates of Participation. As of June 30, 2007, there are no outstanding balances of these refunded Certificates. The 1995 Certificates of Participation (1995 COP) were sold in October 1995 to finance the City Downtown Revitalization and the Cherokee Lane Beautification projects. The 1996 Certificates of Participation (1996 COP) were sold in August 1996 to finance the construction of the Hutchins Street Square Conference and Performing Arts Center. Principal is payable annually on October 1 in amounts from \$730,000 to \$1,600,000 with final payment due October 1, 2031.

\$46,760,000 2002 Variable Rate Demand Series A and **\$8,400,000** 2002 Taxable Series B Electric System Revenue Certificates of Participation were sold in January 2002. The proceeds of the 2002A Certificates of Participation were used to advance refund the 1999 Electric System Certificates of Participation Series A and the 1999 Series B Capital Appreciation certificates. The 1999 Series A and Series B Revenue Certificates of Participation were sold on August 18, 1999, to provide funds to finance the costs of certain improvements to the distribution and transmission facilities of the City's Electric System. As of June 30, 2007, the outstanding balance of the advanced refunded certificates is \$43,957,682 and will be called in full on January 15, 2009. The proceeds of the 2002B Certificates were deposited in the Rate Stabilization Fund and applied to certain power purchase costs of the City. Principal for Series A is payable annually beginning 2011 to 2032 in amounts ranging from \$1,175,000 to \$ 3,460,000. Series B was fully paid as of June 30, 2005.

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

The interest rate on the 2002A Certificates is determined based on the "Weekly Rate Index" for weekly interest rate periods. "Weekly Rate Index" is defined as The Bond Market Association Municipal Index as of the most recent date for which such index is published.

\$21,225,000 Revenue Certificates of Participation 2002 Series C and **\$22,740,000** Revenue Certificates of Participation Series D were issued to buy out the energy purchase agreement with Calpine.

In February 2001, the City entered into an energy purchase agreement (the Original Agreement) with Calpine Energy Services L.P. (Calpine) to purchase 25 MW of energy at \$65/mwh for a ten-year period beginning January 1, 2002. Since the execution of the Original Agreement, actions of the State in connection with the energy market conditions, including the initiation of conservation programs, and other factors, have resulted in lower electric load requirements and reduced energy costs throughout the State. As a result, the City's need for the energy purchased under the Original Agreement to serve its load has been reduced. The Original Agreement was amended on September 4, 2002, and was divided into three parts. The City sold its interests in the energy purchased under the Original Agreement to Calpine and nets the payments due from the City with respect to its purchase of such energy against the payments due from Calpine with respect to its purchase of the City's rights to such energy. On November 21, 2002, the City issued \$21,225,000 Revenue Certificates of Participation 2002 Series C and \$22,740,000 Revenue Certificates of Participation 2002 Taxable Series D to buy out the amended contract in the amount of \$42,406,175.

The various indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of moneys through various restricted accounts and minimum revenue bond coverage. The City is in compliance with all such significant limitations and restrictions.

Interest Rate Swaps

1999 \$42 Million Forward Basis Swap Termination

2003 \$42 Million Fixed-to-Floating Swap Termination

As a means to lower its borrowing costs, the City executed a forward floating-to-floating ("Basis") swap in connection with its existing \$42,000,000 Electric System Revenue Certificates of Participation, 1999 Series A and B. The intention of the swap was to provide protection against rising short-term interest rates since the City's net payment increases as rates rise. On July 15, 2003, the City entered into a \$42,000,000 basis swap with Citigroup Financial Products Inc. The City pays interest based on The Bond Market Association Municipal Swap IndexTM (BMA) in return for a 74.25% 1-Month London Interbank Offered Rate (LIBOR) starting January 15, 2004 with semi-annual payments thereafter until termination date of September 29, 2014.

On April, 16, 2003, the City entered into a \$42,000,000 Fixed-to-Floating swap with Citigroup Financial Products Inc. The City pays BMA plus 100 basis points in return for a fixed receipt of 4% starting July 15, 2003 with payments semi-annually thereafter until termination date of January 15, 2009.

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

The City terminated both swaps effective February 7, 2007, to manage risk exposure. On June 6, 2006, Fitch Ratings downgraded the rating on the City's Electric system's certificates of participation to BBB minus that had an impact on the existing interest rate swap agreements. The decline in the City's rating triggered a collateral posting requirement of \$450,000. Although the City is not expecting another downgrade, any further decline in rating would require termination of the swaps that could cause a financial penalty to the City contingent on market conditions. In full consideration of all obligations with respect to the 1999 Forward Basis Swap termination the City paid Citigroup Financial Products Inc. \$426,785 and the City received from Citigroup Financial Group Inc. \$429,312 with respect to the 2003 Fixed-to Floating Swap termination, a net amount of \$2,527 for both transactions.

2002 \$46.8 Million Step-Up Coupon Swap

Objective:

In connection with its issuance of \$46,760,000 of Electric System Revenue Certificates of Participation 2002 Variable Rate Demand Series A, the City entered into a swap transaction with Salomon Smith Barney in January 2002. The intention of the swap was to change the City's variable interest rate on the Certificates to a synthetic fixed rate that steps up over time. The swap was structured with step-up coupons in order to provide the City with lower debt service in the earlier years of the transaction.

Terms:

Under the swap, the City pays Citigroup (previously Salomon) a fixed rate with an initial coupon of 2.503%. Beginning July 1, 2005, the swap coupon stepped up to 3.749% and then steps up to 4.945% on July 1, 2010 until maturity. In exchange, the City receives an initial variable rate equal to 59.65% of the 1-month London Interbank Offered Rate (LIBOR). Beginning January 1, 2004, the percent of LIBOR received by the City stepped up to 60.56% and then steps up to 62.92% of LIBOR on January 1, 2007 until maturity. The 4.945% coupon in the final period reflects the above-market fixed rate required to offset the first two periods' below-market fixed rates of 2.503% and 3.749% respectively. The effective at-market fixed rate for the entire swap term equals 3.85% or approximately 61.71% of LIBOR. The notional amount of the swap matches the notional amount of the Certificates outstanding in each year. The Certificates' variable-rate coupons are assumed to be based on The Bond Market Association Municipal Swap Index TM (BMA).

The Certificates and related swap mature on July 1, 2032. As of June 30, 2007, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.74900%
Variable payment from counterparty	62.92% of LIBOR	(3.34793%)
Net interest rate swap payments		0.40107%
Variable rate bond payments	BMA	3.54104%
Synthetic interest rate on bonds		3.94211%

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

Fair Value:

As of June 30, 2007, the swap had a fair value of (\$4,840,055). The negative fair value of the swap is a result of the decline in interest rates since the inception date of the swap. The fair value was estimated using the zero-coupon method. This method calculates the future payments required by the swap, assuming that the current forward rates by the yield curve correctly anticipate future spot rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon rate bonds due on the date of each future net settlement on the swap.

Credit Risk:

As of June 30, 2007, the City was not exposed to credit risk because the swap had a negative fair market value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the swap's fair value. The counterparty was rated Aa1 by Moody's Investors Service, AA- by Standard & Poor's, and AA+ by Fitch Ratings. To mitigate the potential for credit risk, the counterparty is required to post collateral should the fair value exceed certain thresholds. In the event of a downgrade of the counterparty below AAA by Standard & Poor's, the threshold amount is \$10 million.

Basis Risk:

The swap exposes the City to basis risk should the relationship between LIBOR and BMA converge, changing the synthetic rate on the Certificates. If a change occurs that results in the rates' moving to convergence, the expected cost savings of the swap may not be realized.

Termination Risk:

The swap contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The swap contract is insured by MBIA Insurance Corporation. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated by the City if both the insurer and the City's credit rating are downgraded below AA-, Aa3 and the City's credit rating falls below Baa3 as determined by Moody's Investor Service or BBB- as determined by Standard & Poor's. If the swap is terminated, the Certificates would no longer carry a synthetic fixed interest rate. Also, if at the time of an early termination of the swap, if the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt.

Using rates as of June 30, 2007, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

Fiscal Year Ending June 30	2002 Electric Certificates of Participation Series A			
	Variable-Rate Bonds		Interest Rate	Total
	Principal	Interest	Swaps, Net	
2008	\$	1,655,790	187,540	\$ 1,843,330
2009		1,655,790	187,540	1,843,330
2010		1,655,790	187,540	1,843,330
2011		1,655,790	467,165	2,122,955
2012	1,175,000	1,634,988	737,407	3,547,395
2013-2017	6,885,000	7,486,200	3,376,406	17,747,606
2018-2022	8,890,000	6,097,847	2,750,234	17,738,081
2023-2027	11,495,000	4,301,566	1,940,081	17,736,647
2028-2032	14,855,000	1,982,008	893,920	17,730,928
2033	3,460,000	61,260	27,629	3,548,889
	<u>\$ 46,760,000</u>	<u>28,187,029</u>	<u>10,755,462</u>	<u>\$ 85,702,491</u>

Annual debt service requirements to maturity for certificates of participation are as follows:

Fiscal Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 555,000	\$ 1,123,642	\$ 3,660,000	\$ 5,194,335
2009	565,000	1,104,874	6,640,000	4,955,681
2010	590,000	1,084,071	4,390,000	4,774,101
2011	610,000	1,060,956	4,610,000	4,583,553
2012	630,000	1,036,156	6,040,000	4,351,419
2013-2017	3,580,000	4,737,423	35,655,000	16,305,796
2018-2022	4,485,000	3,792,545	20,900,000	10,527,198
2023-2027	5,695,000	2,556,375	21,465,000	5,275,815
2028-2032	7,265,000	943,625	14,855,000	1,982,008
2033			3,460,000	61,260
Total	<u>\$ 23,975,000</u>	<u>\$ 17,439,667</u>	<u>\$ 121,675,000</u>	<u>\$ 58,011,166</u>

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

Capital Leases

The City has entered into lease agreements for financing the acquisition of two fire trucks and the improvements to the leased Finance Building. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of inception date. The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Vehicles	\$2,307,123
Leasehold improvements	124,478
Less accumulated depreciation	(1,347,745)
Total	<u>\$ 1,083,856</u>

The present values of future minimum capital lease payments as of June 30, 2007, are as follows:

Fiscal Years Ending	
2008	\$ 279,348
2009	148,003
2010	148,003
2011	148,003
Total minimum lease payments	723,357
Less amounts representing interest	(67,243)
Present value of minimum capital lease payments	<u>\$ 656,114</u>

Special Assessment District Debt

The City issued limited obligation improvement bonds on July 22, 1996, for the "Lodi Central City Revitalization Assessment District." These bonds have no governmental commitment and debt service is recorded in an Agency Fund. These bonds were issued under the Improvement Act of 1915 and will mature in the year 2011. The City's liability in the event of delinquent assessment shall not exceed the balance of the established Reserve Fund. The amount outstanding as of June 30, 2007, is \$735,000.

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

Industrial Development Bonds

The City of Lodi has lent its name to the City of Lodi Industrial Development Authority for the purpose of issuing the following industrial development bonds: Minton Corporation \$5,000,000; Dart Corporation \$8,000,000; Wallace Computer Services \$3,000,000; and Luster-Cal Nameplate Corporation \$3,000,000. These bonds are special obligation bonds only, payable solely out of the bond revenues or other sources of the above companies and are not a pledge of the general credit of the City. The City is not obligated for the redemption or administration of these industrial development bonds.

Woodbridge Irrigation District Bonds

On October 8, 2003, the City lent its name to the Woodbridge Irrigation District (the "District") in the procurement of \$11.745 million 2003 Revenue Certificates of Participation, to provide funds to finance the costs of construction of a new diversion dam on the Mokelumne River and related facilities of the water district. A significant portion of the District's sources of payment for the 2003 Certificates are expected to be derived from amounts to be received by the District from the City of Lodi pursuant to an Agreement for purchase of water from the Woodbridge Irrigation District by the City of Lodi, dated May 13, 2003 (the "Lodi Water Sales Agreement"). Under the agreement, the City will purchase 6,000 acre feet of water per annum from the District for 40 years.

(9) NATURE AND PURPOSE OF REPORTED FUND EQUITY

The following is a summary of reserved, unreserved-designated and unreserved-undesignated fund balances at June 30, 2007:

	General	Other Governmental	Total
Reserved for:			
Library	\$ 659,572		\$ 659,572
Encumbrances	182,101	1,226,671	1,408,772
Advances to other funds	272,800	646,770	919,570
Inventory	29,407		29,407
Total Reserved	<u>1,143,880</u>	<u>1,873,441</u>	<u>3,017,321</u>
Unreserved-designated for:			
Specific projects and programs		12,851,182	12,851,182
Total Designated		<u>12,851,182</u>	<u>12,851,182</u>
Unreserved - undesignated	5,175,522		5,175,522
Total Fund Balances	<u>\$ 6,319,402</u>	<u>14,724,623</u>	<u>\$ 21,044,025</u>

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

Reserved Fund Balance

Reserved represents that portion that is legally segregated for specific purposes and is not available for discretionary appropriation.

Unreserved-Designated Fund Balance

Designated represents that portion for which the City has made tentative plans.

Unreserved-Undesignated Fund Balance

Undesignated represents that portion which is available for budgeting in future periods.

(10) DEFINED BENEFIT PENSION PLAN

(a) Plan Description

The City of Lodi contributes to the California Public Employees' Retirement System (PERS); an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office- 400 P Street, Sacramento, CA 95814.

(b) Funding policy

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 12.221% for miscellaneous employees, 24.108% for fire and police employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

(c) Annual Pension Cost

For fiscal 2007, the City's annual pension cost of \$4,437,303 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2004, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses) (b) projected annual salary increases that vary by age, length of service, and type of employment (c) 3.25% payroll growth, and (d) 3.00% inflation. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period (smoothed market value). PERS unfunded actuarial liability is being amortized as a level percentage of projected payroll on a closed basis. Amortization of the remaining period varies: (a) safety police plan over 30 years (b) safety fire plan over 30 years, and (c) miscellaneous plan over 24 years as of June 30, 2006.

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

(d) Trend Information

Three-Year Trend information (\$ Amounts in Thousands):

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/05	\$ 3,614	100%	\$0
6/30/06	4,814	100%	\$0
6/30/07	4,437	100%	\$0

(11) POST-RETIREMENT HEALTH CARE BENEFITS

The City provides no post-employment benefits for its employees other than the minimum employer contribution required by statute if the City remains with CalPers health plan. There are currently 129 retirees of which the City contributed approximately \$125,000 towards health care during the current fiscal year. The City's contributions are financed on a pay-as-you-go basis.

Employees hired prior to July 1, 1994, who retire after ten years of service, however, may elect to convert accumulated sick leave time to establish an individual medical insurance account. Depending on the bargaining unit of the employee, the value of the insurance account shall be determined by the following options:

a) Option I- "Bank"

The number of accumulated hours shall be reduced by 16-2/3% and the remaining balance converted into days. The days are then multiplied by the current monthly premium being paid for the employee and, if applicable, his/her dependents. Fifty percent of that amount will be placed into an account to be used by the City to pay medical insurance premiums for the employee and, if applicable, his/her dependents. For each year of employment over ten years, 2.5% will be added to the 50% used in determining the account amount. Total premiums shall be paid from the account until its depletion, at which time the benefit ceases.

b) Option II – "Conversion"

The number of accumulated hours is multiplied by 50% and converted into days. The City pays one month's premium for employee and dependents for each day. For each year of employment in excess of ten years, 2.5% is added to the 50%. The employee must pay any increase in premiums.

c) Option III – "Cash-Out"

A retiring employee will be able to choose a cash pay-off of accumulated sick leave at the rate of 30% of base pay per hour.

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

d) Option IV – “Service Credit”

A retiring employee will be able to convert unused sick leave to service credit for CALPERS retirement purposes.

(12) CLAIMS AND BENEFITS

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured as discussed in the following paragraphs for which liabilities are recorded in the Internal Service Fund-Claims and Benefits.

The City is self-insured for general liability up to the first \$500,000 per occurrence with claims from \$500,000 to \$40,000,000 per occurrence and in the aggregate insured through the California Joint Powers Risk Management Authority. The City never had any settlements that exceeded its general liability insurance coverage. (See note 14)

The City is self-insured for workers' compensation up to the first \$250,000 per claim. Any claims of \$250,000 up to California statutory limits are covered under a purchased policy through the membership with the Local Agency Workers' Compensation Excess Joint Powers Authority. Workers' compensation coverage increased from \$150,000,000 in prior year to \$200,000,000 in the current year. The City never had any settlements that exceeded its workers' compensation insurance coverage. (See note 14).

The City is fully self-insured for dental and unemployment for its employees.

General liability and workers' compensation claims are administered by an outside agency and all other claims are administered by the City. The City has accrued a liability of \$6,396,000 at June 30, 2007, for all self-insured claims in the Internal Service Fund-Claims and Benefits that includes an amount for incurred but not reported claims. The liability amount is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. In the opinion of the City, the amounts accrued are adequate to cover claims incurred but not reported in addition to known claims.

Changes in the self-insurance liability for fiscal years ended June 30, 2007 and 2006 are as follows:

	<u>Beginning</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending</u>
FY 05-06	\$ 5,140,000	3,455,368	(1,512,368)	\$ 7,083,000
FY 06-07	\$ 7,083,000	1,578,383	(2,265,383)	\$ 6,396,000

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

(13) PARTICIPATION IN JOINT VENTURES

Northern California Power Agency

The City, along with fourteen other public agencies, is a member of the Northern California Power Agency (NCPA) that was formed in 1968 as a joint powers agency. Its membership consists of eleven cities with publicly owned electric utility distribution systems, one irrigation district, one public utility district, one port authority and four other associate member entities. NCPA is generally empowered to purchase, generate, transmit, distribute and sell electrical energy. Members participate in the projects of NCPA on an elective basis. A commission comprising of one representative from each member organization governs NCPA. The commission is responsible for the general management of the affairs, property and business of NCPA. Under the direction of the general manager, the staff of NCPA is responsible for providing various administrative, operating and planning services for NCPA and its associated power corporations.

Project Financing and Construction

NCPA's project construction and development programs have been individually financed by project revenue bonds collateralized by NCPA's assignment of all payments, revenues and proceeds associated with its interest in each project. Each Project Participant has agreed to pay its proportionate share of debt service and other costs of the related project, notwithstanding the suspension, interruption, interference, reduction or curtailment of output from the project for any reason. Certain of the revenue bonds are additionally supported by municipal bond insurance credit enhancements.

Increase in Non-defaulting Project Participant's Original Project Entitlement Percentage

Upon the failure of any Project Participant to make any payment, which failure constitutes a default under the Member Agreement for the projects, and except as sales and transfers are made pursuant thereto, the Member Agreements provide that Project Entitlement for each non-defaulting Project Participant shall be automatically increased for the remaining term of the Member Agreement; pro rata with those of the non-defaulting Project Participant thereunder; provided, however, that the sum of such increase for any non-defaulting Project Participant shall not exceed, without written consent of such non-defaulting Project Participant, an accumulated maximum of 25% of the non-defaulting Project Participant's original Project Entitlement Percentage Share.

General Operating Reserve with NCPA

Members of NCPA established a general operating reserve in 1992 for the purposes of providing a vehicle to fund reasonably foreseeable contingent liabilities. It was set up primarily to provide the following advantages: minimizes the number and dollar amount of reserve that might otherwise be funded separately in connection with NCPA's individually financed operating plants, projects and programs; provides each member with flexibility and unilateral control over the determination of what they will fund, how they will fund it and what expenditures from the reserve will be made on their individual behalf. It provides funding for contingent liabilities that are not budgeted but that may require significant future expenditures. The reserve is segregated by participant and is refundable on demand by the participant.

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

As of June 30, 2007, the City's balance in the NCPA General Operating Reserve, which has been credited with annual interest earnings and settlements, is \$4,790,663.

Project Participation

The NCPA members and their percentage share at June 30, 2007, which is the most recent available data, are as follows:

	Geothermal Project	Hydro Electric Project	Combustion Turbine Project #1	Multiple Capital Facilities	Transmission Project
Alameda	16.8825%	10.00%	13.092%	19.00%	31.8707 %
Biggs	0.2270		.120		0.4015
Gridley	0.3360		.213		0.6390
Healdsburg	3.6740	1.66	3.500		6.9343
Lodi	10.2800	10.37	34.780	39.50	20.1330
Lompoc	3.6810	2.30	3.500	5.00	6.9485
Palo Alto		19.66			
Plumas-Sierra Rural Electric Coop	.7010	1.69	1.090	1.3363	
Roseville	7.8830	15.26	13.251	36.50	14.3798
Santa Clara	44.3905	37.02	25.000		5.9649
Turlock Irrigation District	6.3305				.7950
Ukiah	5.6145	2.04	5.454		10.5970

Bulk power purchased by the City through NCPA amounted to \$43,362,499 during the year ended June 30, 2007 and is reflected in utilities expense in the Electric Enterprise Fund.

NCPA Geothermal Project

A purchase power agreement with NCPA obligates the City for a 10.28% share of the operating costs and debt service of two of NCPA's 110-megawatt steam powered plants, Project Number 2 and Project Number 3. Outstanding long-term debt related to this project was approximately \$127 million at June 30, 2006.

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

In addition to federal geothermal leasehold, steam wells, gathering system and related facilities, the project consists of two electric generating stations (Plant 1 and Plant 2). Each plant has two 55MW turbine generator units utilizing low temperature geothermal steam; associated electrical, mechanical and control facilities; a heat dissipation system; a steam gathering system; a transmission tapline; and, other related facilities. Geothermal steam for the project is derived from the geothermal property, which includes wellpads, access roads, steam wells and reinjection wells.

Calaveras Hydroelectric Project

NCPA contracted to finance, manage, construct and operate Hydroelectric Project Number One for the licensed owner, Calaveras County Water District. In exchange, NCPA has the right to the electric output of the project for 50 years from February 1982. NCPA has also the option to purchase power from the project in excess of the District's requirements for the subsequent 50 years, subject to regulatory approval.

Under a power purchase agreement the City is obligated to pay 10.37% of the debt service and operating costs. At June 30, 2006, approximately \$490 million in long-term debt used to finance this project was outstanding.

NCPA Combustion Turbine Project

The project consists of five combustion turbine units, each nominally rated at 25 megawatts. Two such units are located in Roseville, two in Alameda and one in Lodi. The project provides capacity during peak load periods and emergency capacity reserves. Excess capacity and energy from the project are also sold to other entities from time to time. Under the NCPA power agreement, the City is obligated to pay 34.78% of the debt service and operating costs. At June 30, 2006 approximately \$18 million in long-term debt was outstanding.

Transmission Project

The project was undertaken to meet certain obligations of NCPA under the NCPA/PG & E Interconnection Agreement. The project includes an ownership interest in PG & E's 230kv Castle Rock to Lakeville Substation Transmission Line in Sonoma County, additional firm transmission rights in that Transmission Line, and a central scheduling and dispatch facility in service at the NCPA headquarters in Roseville, California. Under a power purchase agreement, the City is obligated to pay 20.13% of the debt service and operating costs. At June 30, 2006, approximately \$4.0 million in long-term debt was outstanding.

Capital Facilities Project

The Project consists of one 49.9 megawatt natural gas-fired steam injected combustion turbine generator unit located in Lodi, California. Wastewater is reclaimed from the City of Lodi's White Slough water pollution control facility, processed to eliminate contaminants, and used in the turbine to produce steam for power enhancement and emissions control.

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

Under a power purchase agreement, the City is obligated to pay 39.5% of the debt service and operating costs. At June 30, 2006, approximately \$65.8 million in long-term debt was outstanding.

The following are the most recent available audited condensed financial statements of NCPA:

**Combined Balance Sheet
June 30, 2006**

Assets		Liabilities and Capitalization	
Current assets	\$ 81,720,000	Current portion of long-term debt	\$ 36,095,000
Restricted assets	183,347,000	Other current liabilities	42,795,000
Electric plant, net	407,576,000	Other liabilities and deferred credits	150,578,000
Other assets and deferred charges	<u>251,494,000</u>	Long-term debt	664,904,000
		Accumulated net revenues	<u>29,765,000</u>
Total assets	<u>\$ 924,137,000</u>	Total liabilities and capitalization	<u>\$ 924,137,000</u>

**Combined Statement of Revenue and Expenses
Year ended June 30, 2006**

Sales to participants for resale	\$ 312,564,000
Operating expenses	(258,997,000)
Other revenues (expenses)	(32,747,000)
Future recoverable costs	<u>416,000</u>
Net revenues before refunds	21,236,000
Refunds to participants	<u>(10,379,000)</u>
Net revenues	10,857,000
Accumulated net revenues, beginning of year	<u>18,908,000</u>
Accumulated net revenues, end of year	<u>\$ 29,765,000</u>

**Combined Statement of Cash Flow
Year ended June 30, 2006**

Net cash provided by operating activities	\$ 108,839,000
Net cash used in investing activities	(35,134,000)
Net cash used in capital and related financing activities	(97,504,000)
Net cash used in noncapital and related financing activities	<u>(24,382,000)</u>
Decrease in cash and cash equivalents	(48,181,000)
Cash and cash equivalents, beginning of year	<u>116,577,000</u>
Cash and cash equivalents end of year	<u>\$ 68,396,000</u>

At June 30, 2006, NCPA's total outstanding long-term debt was \$700,999,000 at an average interest rate of 5%. The current portion of long-term debt at June 30, 2006, was \$36,095,000.

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

Complete financial information for NCPA may be obtained at the following administration office:
Northern California Power Agency
180 Cirby Way
Roseville, CA 95678

Transmission Agency of Northern California

The Transmission Agency of Northern California (TANC) was organized under the California Government Code pursuant to a joint powers agreement entered into by fifteen Northern California utilities including the City of Lodi. The purpose of TANC is to provide electric transmission or other facilities for the use of its members through its authority to acquire, construct, finance, operate and maintain facilities for electric power transmission. The joint powers agreement provides that the costs of TANC's activities can be financed or recovered through assessment of its members or user charges through transmission contracts with its members. Each TANC member has agreed to pay a pro rata share of the costs to operate TANC and has the right to participate in future project agreements. The joint power agreement remains in effect until debt obligations and interest thereon have been paid, unless otherwise extended by the members.

Increase in Non-defaulting Project Participant's Original Project Entitlement Percentage

Upon the failure of any Project Participant to make any payment, which failure constitutes a default under the Member Agreement for the projects, and except as sales and transfers are made pursuant thereto, the Member Agreements provide that Project Entitlement for each non-defaulting Project Participant shall be automatically increased for the remaining term of the Member Agreement; pro rata with those of the non-defaulting Project Participant thereunder; provided, however, that the sum of such increase for any non-defaulting Project Participant shall not exceed, without written consent of such non-defaulting Project Participant, an accumulated maximum of 25% of the non-defaulting Project Participant's original Project Entitlement Percentage Share.

California-Oregon Transmission Project

The project is a 339-mile long, 500-kilovolt alternating current transmission project between Southern Oregon and Central California. The project is operated in coordination with the Pacific AC Intertie as a part of the California-Oregon Intertie (COI) within the Western System Coordinating Council (WSCC) region. The WSCC approved rating of the COI is 4,800 MW and the Pacific Direct Current Intertie (PDCI) is 3,100 MW for a combined total of 7,900 MW of transfer capability. Depending on the time of year, operational transfer capability of the combined COI and PDCI is between 6,900 MW and 7,900 MW.

TANC, California Department of Water Resources (CDWR), Western Area Power Authority (WAPA), and five other parties have agreed to an Interim Participation Agreement (IPA) under which project participant is granted a percentage entitlement in project transfer capability and is required to pay a percentage of the costs. Pursuant to the IPA and a subsequent agreement with WAPA, TANC is entitled to use approximately 1,242 MW, and is obligated to pay an average of approximately 73 percent of the operating costs associated with the project.

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

Under the TANC joint powers agreement, the City is obligated to pay 1.89% of its debt service and operating costs. At June 30, 2006, approximately \$374 million in long-term debt was outstanding of which \$14 million is considered current.

Complete financial information for TANC may be obtained at the following administration office:

Transmission Agency of Northern California
3100 Zinfandel Drive, Suite 600
Sacramento, CA 95670

(14) MEMBERSHIP IN INSURANCE POOLS

California Joint Powers Risk Management Authority

The City is a member, along with twenty-five other public agencies, of California Joint Powers Risk Management Authority (CJPRMA) organized under a Joint Powers Agreement pursuant to the California Government Code for the purpose of sharing the risk of catastrophic general liability, automobile liability and public officials' errors and omissions losses because adequate insurance is not available in the commercial insurance market. CJPRMA has a twenty-six member Board of Directors, including a director from the City of Lodi. The Board members elect officers of CJPRMA every two years.

The ultimate cost of the program to the City depends on the catastrophic losses of all members, as well as the City's own loss experience and will be determined retrospectively five years after the end of the current program year. The City periodically pays deposits to the CJPRMA. These deposits are recorded as expenditures in the year paid, as they are a reasonable estimate of the actual cost of the program. During the year ended June 30, 2007, deposits of \$462,680 were paid to CJPRMA.

The participants at June 30, 2007, are as follows: City of Alameda, MPANC, Chico, Central San Joaquin Valley Risk Management Authority, Fairfield, Fremont, Livermore, Lodi, Manteca, NCCSIF, Petaluma, Pomona, PERMA, Redding, Redwood Empire Municipal Insurance Fund, Roseville, San Leandro, San Rafael, Santa Rosa, Santa Barbara Area Joint Powers Insurance Authority, Small Cities Organized Risk Effort, Stockton, Sunnyvale, Vacaville, Vallejo, and Yolo County Public Agencies Risk Management Insurance Authority.

Complete financial information for CJPRMA may be obtained at the following administration office:

California Joint Powers Risk Management Authority
2333 San Ramon Valley Boulevard Suite 250
San Ramon, CA 94583-4456

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

Local Agency Workers' Compensation Excess Joint Powers Authority

The City, along with thirty-five other public agencies, is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX), which was formed July 1992, for the purpose of sharing the risk of workers' compensation losses. LAWCX offers \$150,000, 250,000, \$350,000, \$500,000 and \$1 million self-insured retentions (SIR) or a member can attach directly to the purchased excess insurance. LAWCX covers the layer above the member SIR up to \$5 million. The City of Lodi's self-insured retention is \$250,000. LAWCX participates in the California State Association of Counties Excess Insurance Authority (CSAC-EIA) to obtain coverage up to \$200 million. The City paid \$298,438 in deposits to LAWCX during the fiscal year ended June 30, 2007.

The participants at June 30, 2007, are as follows: Alameda, ABAG, BCJPIA, City of Benicia, CCCTA, CHWCA, Central San Joaquin Valley Risk Mgmt Authority (CSJVRMA), City of Clovis, City of Coronado, East Bay Regional Park District, City of Encinitas, FASIS, City of Fremont, City of Gilroy, City of Livermore, City of Lodi, City of Los Gatos, City of Merced, MBASIA, MCLAIA, City of Morgan Hill, City of Newark, PARSAC, City of Placentia, PERMA, City of Roseville, City of San Leandro, City of Santa Maria, City of Santee, Small Cities Org. Risk Effort (SCORE), City of South Lake Tahoe, City of Suisun City, City of Vacaville, City of Vallejo, Vector Control JPA and City of Vista.

Complete financial information for LAWCX maybe obtained at the following administration office:

Local Agency Workers' Compensation Excess Joint Powers Authority
1831 K Street
Sacramento, CA 95814

California Transit Insurance Pool

The City, along with thirty-six other public agencies is a member of California Transit Insurance Pool (CalTIP), a joint powers insurance authority which was formed for the purpose of sharing the risk of property damage, bodily injury, personal injury and public officials errors and omissions losses for public transit systems.

Liability protection coverage is provided under two programs:

Program I applies to members who choose to utilize CalTIP's adjuster and /or those with a \$0 deductible.

Program II applies to members with self-insured retentions who choose to provide their own adjusting services.

CalTIP purchases excess insurance over its \$500,000 retention up to \$20 million per occurrence. Each member is provided with \$5 million in excess of the pooled retention and has the option to choose one or both of two additional layers for the full \$20 million.

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

CalTIP also provides physical damage coverage to its members. This coverage program is optional for all members and offers damage or loss protection for transit, staff and maintenance vehicles to transit operators. CalTIP self-insures to \$100,000, under which members have the option of five levels of deductible ranging from \$500 to \$10,000 per vehicle. Claims are administered by the CalTIP's adjuster.

The City paid \$107,578 in deposits to CalTIP during the fiscal year ended June 30, 2007. There have been no reductions in insurance coverage from the prior year and there were no insurance settlements in excess of insurance coverage in any of the last three years

	<u>Program</u>	<u>Self-Insured Retention</u>	<u>Limit (in millions)</u>	<u>Physical Damage</u>
City of Lodi Transit System	I	Prefunded	5	X

Complete financial information for CalTip maybe obtained at the following administration office:

California Transit Insurance Pool
1415 L Street, Suite 200
Sacramento, CA 95814

(15) DEFICIT IN FUND EQUITY

Internal Service Fund - Claims and Benefits - A deficit in fund equity at June 30, 2007, in the amount of \$813,142 in the Claims and Benefits Fund is due primarily to the self-insurance liability accrued to cover both incurred and incurred-but-not-reported (IBNR) claims. The City continues its effort to reach the reserves recommended by an actuary and gradually eliminate the deficit in the Internal Service Fund.

Internal Service Fund – Fleet Services – A deficit in fund equity in the amount of \$65,626 at June 30, 2007, in the Fleet Services Fund is due to the lack of seed money transferred to this fund when it was set up. This will be rectified in the future.

Nonmajor Governmental Fund – Community Development – A deficit in fund equity in the amount of \$167,024 at June 30, 2007, is attributed to the unprecedented decrease in residential developments due to the slowing housing market. Building and construction permits decreased by \$315,900 compared to prior year.

CITY OF LODI
Notes to Basic Financial Statements (Continued)
June 30, 2007

(16) COMMITMENTS AND CONTINGENCIES

Litigation and claims - The City is engaged in litigation over its groundwater contamination as a potential responsible party and in litigation with its former outside counsel regarding malpractice and fee claims. The City estimates that it will need to raise \$45 million to cover past costs, past settlements and future obligations and have increased its water rates in an amount sufficient to cover these estimated expenses. Citizen efforts to reduce these rates via initiative failed in November 2006 election by a vote of 64% to 36%. As such, the City Attorney does not anticipate a material effect on the City's financial condition.

All other actions against the City are under \$75,000 or have no arguable cost and will therefore not have a material financial effect on the City.

Arbitrage Earnings Rebate Liability - Arbitrage earnings are defined as income earned on the unexpended tax-exempt certificate proceeds in excess of that which would have been earned had the moneys been invested in securities with a yield of the effective rate of the certificates. Currently, arbitrage earnings must be rebated to the United States Treasury every five years from the date of August 18, 1999, for the Electric System Certificates of Participation. There is no cumulative arbitrage liability as of June 30, 2007.

(17) FUTURE GASB PRONOUNCEMENTS

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, Accounting and Financial Reporting by Employers of Post-employment Benefits Other Than Pensions. GASB Statement No. 45 establishes standards for the measurement, recognition and display of other post-employment benefits (OPEBs) expenses/expenditures, related assets and liabilities, note disclosures and, if applicable, required supplementary information in the financial reports of state and local government employers. GASB No. 45 will be effective for the fiscal year ending June 30, 2009.

The City does not provide post-employment benefits for its employees other than as described in Note 11. The City is currently working with an actuary to determine the unfunded actuarial liability. In addition, the City will be evaluating alternatives to funding and reducing the liability.

The GASB has issued Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, which provides guidance on how to calculate and report costs and obligations associated with pollution clean up efforts. The requirements of the new statement become effective for fiscal periods beginning after December 15, 2007.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Lodi
Required Supplementary Information
Schedule of Funding Progress - Pension Plan
June 30, 2007
(in thousands of dollars)

Actuarial Valuation Date	Actuarial Asset Value (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded Actuarial Accrued Liability [(B) - (A)]	Funded Ratio [(A) / (B)]	Covered Payroll (C)	Unfunded Actuarial Liability as Percentage of Covered Payroll {[(B) - (A)]/(C)}
6/30/04	\$ 139,694	\$ 165,273	\$ 25,579	85%	\$ 26,334	97.13%
6/30/05	150,967	177,150	26,183	85%	26,992	97.00%
6/30/06	163,888	190,366	26,478	86%	26,836	98.67%

amount) is at the department level. The operating budget is prepared and controlled at the department level (e.g., city clerk, city manager, etc.) for the General Fund. Special revenue fund expenditures, including transfers out, are approved by Council at the fund level.

- The City Manager may transfer appropriations from one activity to another within a department without approval from the City Council. All other appropriation adjustments during the year, whether transfers, increases or decreases, require City Council approval.

CITY OF LODI
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year ended June 30, 2007

	Original	Final	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 19,641,608	19,641,608	20,594,293	\$ 952,685
Licenses and permits	80,717	80,717	83,964	3,247
Intergovernmental revenues	15,205,635	15,205,635	16,091,446	885,811
Charges for services	1,933,921	1,814,886	1,854,575	39,689
Fines, forfeits and penalties	1,380,909	1,380,909	1,241,051	(139,858)
Investment and rental income	379,863	379,863	380,375	512
Miscellaneous revenue	254,395	254,395	210,495	(43,900)
Total revenues	<u>38,877,048</u>	<u>38,758,013</u>	<u>40,456,199</u>	<u>1,698,186</u>
EXPENDITURES				
Current:				
General government:				
City Council	107,719	107,719	83,248	24,471
City Manager	835,842	835,842	788,492	47,350
City Clerk	499,846	499,846	381,870	117,976
City Attorney	465,572	514,372	495,071	19,301
Human Resources	587,333	570,636	438,185	132,451
Information Systems	1,078,143	1,092,482	1,072,088	20,394
Community Center	1,433,543	1,487,678	1,487,415	263
Finance	1,998,617	2,062,768	1,877,546	185,222
Non Departmental	2,327,951	2,297,027	2,269,762	27,265
Total general government	<u>9,334,566</u>	<u>9,468,370</u>	<u>8,893,677</u>	<u>574,693</u>
Public protection:				
Police	14,240,003	14,240,741	13,439,760	800,981
Fire	8,422,164	8,426,500	8,335,771	90,729
Total public protection	<u>22,662,167</u>	<u>22,667,241</u>	<u>21,775,531</u>	<u>891,710</u>
Public Works	<u>1,999,710</u>	<u>3,998,517</u>	<u>3,871,311</u>	<u>127,206</u>
Library	<u>1,646,336</u>	<u>1,657,561</u>	<u>1,587,714</u>	<u>69,847</u>
Parks and recreation	<u>3,963,717</u>	<u>3,855,782</u>	<u>3,597,718</u>	<u>258,064</u>
Debt service:				
Interest and fiscal charges	41,464	41,464	41,464	
Principal payments	273,823	273,823	273,823	
Total debt service	<u>315,287</u>	<u>315,287</u>	<u>315,287</u>	
Total expenditures	<u>39,921,783</u>	<u>41,962,758</u>	<u>40,041,238</u>	<u>1,921,520</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,044,735)</u>	<u>(3,204,745)</u>	<u>414,961</u>	<u>3,619,706</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	4,937,314	4,937,314	4,937,314	
Transfers out	(3,401,814)	(3,401,814)	(3,401,814)	
Total other financing sources (uses)	<u>1,535,500</u>	<u>1,535,500</u>	<u>1,535,500</u>	
NET CHANGE IN FUND BALANCE	490,765	(1,669,245)	1,950,461	3,619,706
FUND BALANCE , beginning of year	2,802,660	4,368,941	4,368,941	
FUND BALANCE, end of year	<u>3,293,425</u>	<u>2,699,696</u>	<u>6,319,402</u>	<u>3,619,706</u>

The note to the required supplementary information is an integral part of this schedule.

CITY OF LODI
Notes to the Required Supplementary Information
June 30, 2007

Budgetary Data

The City adopts an annual budget for the general and special revenue funds. These budgets are prepared in accordance with generally accepted accounting principles. As part of the City's internal controls, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with the legal provisions embodied in the annual appropriated budget approved by the City Council. The accompanying financial statements present budget and actual data only of funds for which an annual budget was adopted. The budgets of capital projects are primarily "long-term" budgets that emphasize the major programs and capital project plans extending over a number of years. Due to the long-term nature of these projects, "annual" budget and actual comparisons are not considered meaningful. Formal budgetary integration is not employed for Debt Service Funds since effective budgetary control is alternatively achieved through the bond indenture provisions. Accordingly, no budgetary information is included in the accompanying basic financial statements for capital projects and debt service funds.

The City Council follows the following procedures in establishing the budgetary data reflected in the accompanying basic financial statements:

Original Budget

On or prior to the first regular Council meeting in June of each year, the City Manager submits to the City Council a proposed Financial Plan and Budget for the fiscal year commencing July 1. The budget includes proposed expenditures and the means of financing them.

Budgeted revenues are adopted by the City Council at the time the budget is approved. Budgeted revenues are modified when the tax base changes, when fees are modified or when new revenue sources are identified.

Public hearings are conducted during meetings of the City Council to obtain citizens' comments. Prior to July 1, the budget is legally enacted through passage of a resolution.

Final Budget

The final budgetary data presented in the basic financial statements reflects the following changes to the original budget:

- Budgeted expenditures represent original appropriations adjusted by budget transfers and appropriation amendments. The legal level of budgetary control (that is, the level at which expenditures can not legally exceed the appropriated

COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Nonmajor Governmental Funds include:

Special Revenue Funds account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specified purposes, other than those for major capital projects;

Debt Service Fund account for the accumulation of resources for the repayment of principal and interest on general long-term debt;

Capital Project Funds account for the financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

**CITY OF LODI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007**

<u>Assets</u>	Special Revenue	Capital Projects	Total
Cash and investments	\$ 7,575,610	5,740,840	\$ 13,316,450
Restricted assets		1,750,204	1,750,204
Receivables:			
Accounts, net	46,695		46,695
Interest	66,103	42,557	108,660
Due from other funds	471,844	506,220	978,064
Due from other governmental agencies	1,399,037	506,878	1,905,915
Loan receivable	1,084,000		1,084,000
Other assets	508		508
Advances to other funds		646,770	646,770
Total assets	\$ 10,643,797	9,193,469	\$ 19,837,266
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable and other liabilities	\$ 779,105	92,475	\$ 871,580
Due to other funds	621,412	30,958	652,370
Advances from other funds	646,770	1,497,973	2,144,743
Deferred revenue	1,084,000	359,950	1,443,950
Total liabilities	3,131,287	1,981,356	5,112,643
Fund Balances :			
Reserved for encumbrances	861,195	365,476	1,226,671
Reserved for advances to other funds		646,770	646,770
Unreserved-designated for specific projects and programs	6,651,315	6,199,867	12,851,182
Total fund balances	7,512,510	7,212,113	14,724,623
 Total liabilities and fund balances	\$ 10,643,797	9,193,469	\$ 19,837,266

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year ended June 30, 2007

	Special Revenue	Debt Service	Capital Projects	Total
Revenues:				
Licenses and permits	\$ 632,820			\$ 632,820
Intergovernmental revenues	3,565,416		234,926	3,800,342
Charges for services	2,180,863		660,770	2,841,633
Fines, forfeits and penalties	4,225			4,225
Investment and rental income	301,225		316,478	617,703
Miscellaneous revenue	83,576		10,000	93,576
Total revenues	<u>6,768,125</u>		<u>1,222,174</u>	<u>7,990,299</u>
Expenditures:				
Current:				
Public protection	435,792			435,792
Public works	1,715,482			1,715,482
Community development	2,061,706			2,061,706
Parks and recreation				
Capital outlay	2,280,375		1,245,964	3,526,339
Debt service:				
Interest and fiscal charges		1,152,715	10,920	1,163,635
Principal payments		626,233		626,233
Total expenditures	<u>6,493,355</u>	<u>1,778,948</u>	<u>1,256,884</u>	<u>9,529,187</u>
Excess (deficiency) of revenues over (under) expenditures	<u>274,770</u>	<u>(1,778,948)</u>	<u>(34,710)</u>	<u>(1,538,888)</u>
Other financing sources (uses):				
Transfers in	733,912	1,778,948	1,413,496	3,926,356
Transfers out	(101,542)		(632,990)	(734,532)
Total other financing sources (uses)	<u>632,370</u>	<u>1,778,948</u>	<u>780,506</u>	<u>3,191,824</u>
Net change in fund balances	907,140		745,796	1,652,936
Fund balances, beginning of year	<u>6,605,370</u>		<u>6,466,317</u>	<u>13,071,687</u>
Fund balances, end of year	<u>\$ 7,512,510</u>		<u>\$ 7,212,113</u>	<u>\$ 14,724,623</u>

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

SPECIAL REVENUE FUNDS

Public Safety

This fund was established to account for the revenues and expenditures related to the City's share of property forfeited by persons convicted of possession and selling illegal drugs and the State of California auto theft prosecution moneys.

Community Development

This fund was established to account for development planning and project review services including land use entitlements, permit processing and review/inspection of public improvements to ensure orderly physical growth and development of the City.

Streets Fund

This fund was established to account for the following:

Gas Tax

To account for revenues and expenditures apportioned to the City under the Streets and Highway Code. Portions of the tax rate levied by the State of California on all gasoline purchases are allocated to cities throughout the State on a population basis. These funds are restricted for expenditure by the State of California for street related purposes only.

Development Impact Mitigation Fees

To account for impact fees charged to provide for the building of various storm drains and street improvements needed to serve new development. The fees are calculated on a per acre basis and are collected at subdivision final map approval or with building permit stage effective November 4, 1991.

Measure K Sales Tax

To account for revenues and expenditures apportioned to the City for sales tax collections under Measure K. Expenditures for administration, maintenance and construction must be for street-related projects.

Intermodal Surface Transportation Efficiency Act (ISTEA)

To account for revenues from the federal highway administration for programs including surface transportation program (STP) for streets and roads, congestion mitigation and air quality program (CMAQ) and hazard elimination safety (HES) for street lighting projects.

Transportation

This fund was established to account for the receipt of moneys from the State of California apportioned to the City for transportation purposes. The State has designated 1/4% of the 6% sales tax levied statewide for local transportation purposes. Funding for this program was provided during the 1971 legislative session with the enactment of the Transportation Development Act, which extended the 6% sales tax to include purchases of gasoline. Revenues allocated to the City of Lodi under this program are divided into two categories: Article 8 funds, which are restricted for the improvement and maintenance of street systems; and Article 4 funds, which are restricted for public transit systems.

HOME Program and Community Development Block Grants

This fund was established to account for the City's HOME Program that provides adequate and affordable housing for low and very low-income residents, and Community Development Block Grants provided to the City principally for low and moderate income residents to develop a suitable living environment and expand economic opportunities.

CITY OF LODI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
June 30, 2007

	Public Safety	Community Development	Streets	Transportation	HOME Program & Community Development Block Grants	Total
ASSETS						
Cash and Investments	\$ 125,584		7,357,087	92,939		\$ 7,575,610
Receivables:						
Accounts, net		19,961	26,734			46,695
Interest	1,433		63,892	778		66,103
Due from other funds			471,844			471,844
Due from other governmental agencies	70,013		857,180		471,844	1,399,037
Other assets			508			508
Loan receivable					1,084,000	1,084,000
TOTAL ASSETS	<u>\$ 197,030</u>	<u>19,961</u>	<u>8,777,245</u>	<u>93,717</u>	<u>1,555,844</u>	<u>\$ 10,643,797</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable and other liabilities	\$ 6,486	37,417	734,202	1,000		\$ 779,105
Due to other funds		149,568			471,844	621,412
Advances from other funds			646,770			646,770
Deferred revenue					1,084,000	1,084,000
TOTAL LIABILITIES	<u>6,486</u>	<u>186,985</u>	<u>1,380,972</u>	<u>1,000</u>	<u>1,555,844</u>	<u>3,131,287</u>
FUND BALANCES (DEFICIT)						
Fund balances:						
Reserved for encumbrances	1,869	6,434	850,042	2,850		861,195
Unreserved-designated for specific projects and programs	188,675	(173,458)	6,546,231	89,867		6,651,315
TOTAL FUND BALANCES (DEFICIT)	<u>190,544</u>	<u>(167,024)</u>	<u>7,396,273</u>	<u>92,717</u>		<u>7,512,510</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 197,030</u>	<u>19,961</u>	<u>8,777,245</u>	<u>93,717</u>	<u>1,555,844</u>	<u>\$ 10,643,797</u>

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2007

	Public Safety	Community Development	Streets	Transportation	HOME Program & Community Development Block Grants	Total
REVENUES						
Licenses and permits	\$	632,820				\$ 632,820
Intergovernmental revenues	221,757	23,905	3,181,427	50,350	87,977	3,565,416
Charges for services		540,525	1,640,338			2,180,863
Fines, forfeits and penalties	3,100	1,125				4,225
Investment and rental income	9,759		288,368	3,098		301,225
Miscellaneous revenue		23,051	60,525			83,576
Total revenues	<u>234,616</u>	<u>1,221,426</u>	<u>5,170,658</u>	<u>53,448</u>	<u>87,977</u>	<u>6,768,125</u>
EXPENDITURES						
Current						
Public protection	435,792					435,792
Public works			1,627,505		87,977	1,715,482
Community development		2,061,706				2,061,706
Capital outlay			2,213,916	66,459		2,280,375
Total expenditures	<u>435,792</u>	<u>2,061,706</u>	<u>3,841,421</u>	<u>66,459</u>	<u>87,977</u>	<u>6,493,355</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(201,176)</u>	<u>(840,280)</u>	<u>1,329,237</u>	<u>(13,011)</u>		<u>274,770</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	8,680	600,000	125,232			733,912
Transfers out		(5,436)	(96,106)			(101,542)
Total other financing sources (uses)	<u>8,680</u>	<u>594,564</u>	<u>29,126</u>			<u>632,370</u>
NET CHANGE IN FUND BALANCES	<u>(192,496)</u>	<u>(245,716)</u>	<u>1,358,363</u>	<u>(13,011)</u>		<u>907,140</u>
FUND BALANCES, beginning of year	<u>383,040</u>	<u>78,692</u>	<u>6,037,910</u>	<u>105,728</u>		<u>6,605,370</u>
FUND BALANCES (DEFICIT), end of year	<u>\$ 190,544</u>	<u>(167,024)</u>	<u>7,396,273</u>	<u>92,717</u>		<u>\$ 7,512,510</u>

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2007

	PUBLIC SAFETY		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	\$ 221,757	221,757	
Fines, forfeits and penalties		3,100	3,100
Investment and rental income		9,759	9,759
Total Revenue	221,757	234,616	12,859
EXPENDITURES			
Current			
Public protection	435,792	435,792	
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(214,035)	(201,176)	12,859
OTHER FINANCING SOURCES			
Transfers in	8,680	8,680	
NET CHANGE IN FUND BALANCE	(205,355)	(192,496)	12,859
FUND BALANCE, BEGINNING OF YEAR	383,040	383,040	
FUND BALANCE, END OF YEAR	\$ 177,685	190,544	12,859

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2007

	<u>COMMUNITY DEVELOPMENT</u>		
	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Licenses and permits	\$ 939,470	632,820	(306,650)
Intergovernmental revenues		23,905	23,905
Charges for services	735,881	540,525	(195,356)
Fines, forfeits and penalties	8,875	1,125	(7,750)
Investment and rental income	9,452		(9,452)
Miscellaneous revenue	1,008	23,051	22,043
Total Revenue	<u>1,694,686</u>	<u>1,221,426</u>	<u>(473,260)</u>
EXPENDITURES			
Current			
Community development	<u>2,175,623</u>	<u>2,061,706</u>	<u>113,917</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(480,937)</u>	<u>(840,280)</u>	<u>(359,343)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	600,000	600,000	
Transfers out	<u>(5,436)</u>	<u>(5,436)</u>	
Total other financing sources (uses)	<u>594,564</u>	<u>594,564</u>	
NET CHANGE IN FUND BALANCE	113,627	(245,716)	(359,343)
FUND BALANCE, BEGINNING OF YEAR	<u>78,692</u>	<u>78,692</u>	
FUND BALANCE (DEFICIT), END OF YEAR	<u><u>192,319</u></u>	<u><u>(167,024)</u></u>	<u><u>(359,343)</u></u>

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STREETS FUND
Year ended June 30, 2007

	STREETS		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	\$ 7,736,000	3,181,427	(4,554,573)
Charges for services	1,520,000	1,640,338	120,338
Investment and rental income	3,800	288,368	284,568
Miscellaneous revenue		60,525	60,525
Total Revenue	<u>9,259,800</u>	<u>5,170,658</u>	<u>(4,089,142)</u>
EXPENDITURES			
Current			
Public works	3,227,874	1,627,505	1,600,369
Capital outlay	<u>6,571,795</u>	<u>2,213,916</u>	<u>4,357,879</u>
Total Expenditures	<u>9,799,669</u>	<u>3,841,421</u>	<u>5,958,248</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(539,869)</u>	<u>1,329,237</u>	<u>1,869,106</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,139,314	125,232	(1,014,082)
Transfers out	<u>(136,984)</u>	<u>(96,106)</u>	<u>40,878</u>
Total other financing sources (uses)	<u>1,002,330</u>	<u>29,126</u>	<u>(973,204)</u>
NET CHANGE IN FUND BALANCE	462,461	1,358,363	895,902
FUND BALANCE, BEGINNING OF YEAR	<u>6,037,910</u>	<u>6,037,910</u>	
FUND BALANCE, END OF YEAR	<u>\$ <u>6,500,371</u></u>	<u><u>7,396,273</u></u>	<u><u>895,902</u></u>

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2007

	<u>TRANSPORTATION</u>		
	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Intergovernmental revenues	\$ 174,249	50,350	(123,899)
Investment and rental income	<u>3,000</u>	<u>3,098</u>	<u>98</u>
Total Revenue	177,249	53,448	(123,801)
EXPENDITURES			
Capital outlay	<u>282,977</u>	<u>66,459</u>	<u>216,518</u>
NET CHANGE IN FUND BALANCE	(105,728)	(13,011)	92,717
FUND BALANCE, BEGINNING OF YEAR	<u>105,728</u>	<u>105,728</u>	
FUND BALANCE, END OF YEAR	\$ <u><u> </u></u>	<u><u>92,717</u></u>	<u><u>92,717</u></u>

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2007

	HOME PROGRAM and COMMUNITY DEVELOPMENT BLOCK GRANTS		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	\$ 3,347,644	87,977	(3,259,667)
EXPENDITURES			
Current			
Public works	3,347,644	87,977	3,259,667
NET CHANGE IN FUND BALANCE			
FUND BALANCE, BEGINNING OF YEAR			
FUND BALANCE, END OF YEAR	\$		

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NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECT FUNDS

CAPITAL PROJECT FUNDS

Vehicle and Equipment

This fund was established to account for the financing and replacement of vehicles and equipment for all funds of the City with the exception of the Enterprise Funds. Financing is primarily provided through transfers from other funds, interest earnings and sales of surplus property.

Library

This fund is used to account for the acquisition, construction and installation of capital facilities for the Library.

Subdivision

This fund is used to account for construction and installation projects dealing with subdivision work for others.

Hutchins Street Square

When the old Lodi High School burned down, the City purchased the property and renamed it Hutchins Street Square. The Old Lodi High Site Foundation was established and this organization organizes events to raise money for the capital restoration of Hutchins Street Square.

Capital Outlay Reserve

This fund was established to account for the entire City's construction projects and capital purchases in excess of \$10,000 with the exception of those funded through Enterprise Funds. Financing is provided primarily by operating transfers from other funds and from State and Federal grants.

Lodi Lake

This fund was established to account for moneys charged for activities held at Lodi Lake. The Council designated the moneys to be used for Lodi Lake capital projects.

CITY OF LODI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
June 30, 2007

	Vehicle and Equipment	Library	Subdivision	Hutchins Street Square	Capital Outlay Reserve	Lodi Lake	Total
ASSETS							
Cash and investments	\$ 1,307,968	12,677	300,339	2,181	4,117,675		\$ 5,740,840
Restricted assets					1,750,204		1,750,204
Receivables:							
Interest					42,557		42,557
Due from other funds					506,220		506,220
Due from other governmental agencies					359,950	146,928	506,878
Advances to other funds					646,770		646,770
TOTAL ASSETS	\$ 1,307,968	12,677	300,339	2,181	7,423,376	146,928	\$ 9,193,469
LIABILITIES							
Accounts payable and other liabilities	\$ 16,774				62,577	13,124	\$ 92,475
Due to other funds						30,958	30,958
Advances from other funds					1,497,973		1,497,973
Deferred revenue					359,950		359,950
TOTAL LIABILITIES	16,774				1,920,500	44,082	1,981,356
FUND BALANCES							
Fund balances:							
Reserved for encumbrances					308,917	56,559	365,476
Reserved for advances to other funds					646,770		646,770
Unreserved-designated for specific projects and programs	1,291,194	12,677	300,339	2,181	4,547,189	46,287	6,199,867
TOTAL FUND BALANCES	1,291,194	12,677	300,339	2,181	5,502,876	102,846	7,212,113
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,307,968	12,677	300,339	2,181	7,423,376	146,928	\$ 9,193,469

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
Year ended June 30, 2007

	Vehicle and Equipment	Library	Subdivision	Hutchins Street Square	Capital Outlay Reserve	Lodi Lake	Total
REVENUES							
Intergovernmental revenues	\$					234,926	\$ 234,926
Charges for services					660,770		660,770
Investment and rental income					316,478		316,478
Miscellaneous revenue					10,000		10,000
Total revenues					987,248	234,926	1,222,174
EXPENDITURES							
Capital outlay	342,238				665,874	237,852	1,245,964
Debt service:							
Interest and fiscal charges					10,920		10,920
Total expenditures	342,238				676,794	237,852	1,256,884
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(342,238)				310,454	(2,926)	(34,710)
OTHER FINANCING SOURCES (USES)							
Transfers in	1,342,707					70,789	1,413,496
Transfers out					(632,990)		(632,990)
Total other financing sources (uses)	1,342,707				(632,990)	70,789	780,506
NET CHANGE IN FUND BALANCES	1,000,469				(322,536)	67,863	745,796
FUND BALANCES , BEGINNING OF YEAR	290,725	12,677	300,339	2,181	5,825,412	34,983	6,466,317
FUND BALANCES, END OF YEAR	\$ 1,291,194	12,677	300,339	2,181	5,502,876	102,846	\$ 7,212,113

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INTERNAL SERVICE FUNDS

Internal Service Funds are maintained to account for the internal transfer of services between operating units of the City and to achieve a level of operating efficiency that may not be available if the same activities were performed by multiple organizations.

Claims and Benefits Funds

This fund is used to account for the following insurance and certain employee benefits:

General Liability	Employee assistance program
Workers' Compensation	Employee recognition program
Dental	Unemployment insurance
Chiropractic	Flexible spending program
Life/accidental insurance	Long Term Disability
Medical	Vision

Fleet Services

This fund is used to account for the operation, maintenance and timely replacement of the City's fleet of vehicles which serve the transportation needs of all city departments.

CITY OF LODI
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2007

	<u>Fleet Services Fund</u>	<u>Claims and Benefits Funds</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$	5,446,040	\$ 5,446,040
Receivables:			
Accounts, net		203,635	203,635
Interest		45,242	45,242
Inventory	108,524		108,524
Other assets	1,886	835	2,721
Noncurrent assets:			
Capital assets (net)	39,075		39,075
Total current assets	<u>149,485</u>	<u>5,695,752</u>	<u>5,845,237</u>
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	42,684	112,894	155,578
Self-insurance liability		2,265,383	2,265,383
Accrued compensated absences	67,293		67,293
Noncurrent liabilities:			
Accrued compensated absences	105,134		105,134
Self-insurance liability		4,130,617	4,130,617
Total liabilities	<u>215,111</u>	<u>6,508,894</u>	<u>6,724,005</u>
NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt	39,075		39,075
Unrestricted (deficit)	(104,701)	(813,142)	(917,843)
Total net assets (deficit)	<u>\$ (65,626)</u>	<u>(813,142)</u>	<u>\$ (878,768)</u>

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
Year ended June 30, 2007

	Fleet Services Fund	Claims and Benefits Funds	Total
OPERATING REVENUES			
Charges for services	\$ 1,567,016	8,533,149	\$ 10,100,165
OPERATING EXPENSES			
Personnel services	929,589	325,949	1,255,538
Supplies, materials and services	727,541	5,275,969	6,003,510
Utilities	14,587		14,587
Depreciation and amortization	1,447		1,447
Claims		1,578,383	1,578,383
TOTAL OPERATING EXPENSES	1,673,164	7,180,301	8,853,465
OPERATING INCOME (LOSS)	(106,148)	1,352,848	1,246,700
NONOPERATING REVENUES			
Investment income		203,234	203,234
Other revenues		685,412	685,412
TOTAL NONOPERATING REVENUES		888,646	888,646
LOSS (INCOME) BEFORE CAPITAL CONTRIBUTION	(106,148)	2,241,494	2,135,346
Capital contribution	40,522		40,522
Change in net assets	(65,626)	2,241,494	2,175,868
NET ASSETS (DEFICIT) - BEGINNING OF YEAR		(3,054,636)	(3,054,636)
NET ASSETS (DEFICIT) - END OF YEAR	\$ (65,626)	(813,142)	\$ (878,768)

CITY OF LODI
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year ended June 30, 2007

	Fleet Services Fund	Claims and Benefits Funds	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ (1,886)	492,649	\$ 490,763
Receipts from interfund services provided	1,567,016	8,533,149	10,100,165
Cash paid to suppliers for goods & services	(807,968)	(7,483,960)	(8,291,928)
Payments to employees	(757,162)	(325,949)	(1,083,111)
Net cash provided by operating activities		1,215,889	1,215,889
Cash flows from investing activities:			
Interest on investments		169,735	169,735
Net increase in cash and cash equivalents		1,385,624	1,385,624
Cash and cash equivalents, beginning of year		4,060,416	4,060,416
Cash and cash equivalents, end of year	\$	5,446,040	\$ 5,446,040
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating Income (loss)	\$ (106,148)	1,352,848	\$ 1,246,700
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	1,447		1,447
Other revenues		685,412	685,412
Change in assets and liabilities:			
Increase in accounts receivable		(203,635)	(203,635)
Increase in inventory	(108,524)		(108,524)
Decrease (increase) in other assets	(1,886)	10,872	8,986
Increase in accounts payable and other liabilities	42,684	57,392	100,076
Increase in compensated absences	172,427		172,427
Decrease in self-insurance liability		(687,000)	(687,000)
Net cash provided by operating activities	\$	1,215,889	\$ 1,215,889
<u>Noncash Investing, Capital and Financing Activities</u>			
Capital contributions	\$ 40,522		\$ 40,522

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FIDUCIARY FUNDS

Private-purpose Trust Funds

These funds are used to account for trust agreements under which the principal and income benefit individuals, private organizations or other governments.

Agency Fund

This fund was established to account for special assessments collected on the property tax roll by the City on behalf of the property owners within the Industrial Way Beckman Districts and the Downtown and Cherokee Lane Districts.

CITY OF LODI
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
June 30, 2007

	Private-Purpose Trust Funds			Total
	Library	Hutchins Street Square Bequest		
ASSETS				
Cash and Investments	\$ 846,765	1,386	\$	848,151
TOTAL ASSETS	<u>846,765</u>	<u>1,386</u>		<u>848,151</u>
NET ASSETS	\$ <u>846,765</u>	<u>1,386</u>	\$	<u>848,151</u>

CITY OF LODI
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year ended June 30, 2007

	Private-Purpose Trust Funds		
	Library	Hutchins Street Square Bequest	Total
ADDITIONS			
Investment income and donations	\$ 100,575	52	\$ 100,627
Total additions	<u>100,575</u>	<u>52</u>	<u>100,627</u>
DEDUCTIONS			
Current			
Library	11,866		11,866
Total deductions	<u>11,866</u>		<u>11,866</u>
CHANGE IN NET ASSETS	88,709	52	88,761
NET ASSETS, BEGINNING OF YEAR	<u>758,056</u>	<u>1,334</u>	<u>759,390</u>
NET ASSETS, END OF YEAR	\$ <u><u>846,765</u></u>	<u><u>1,386</u></u> \$	<u><u>848,151</u></u>

CITY OF LODI
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
Year ended June 30, 2007

	Special Assessments			Balance 6/30/07
	Balance 7/1/06	Additions	Deductions	
ASSETS				
Cash and investments	\$ 453,628	739,870	603,815	\$ 589,683
Special assessment receivable	71,594	79,508	71,594	79,508
Interest receivable	2,196	5,495	2,196	5,495
TOTAL ASSETS	\$ 527,418	824,873	677,605	\$ 674,686
LIABILITIES				
Agency obligations	\$ 527,418	147,268		\$ 674,686
TOTAL LIABILITIES	\$ 527,418	147,268		\$ 674,686

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STATISTICAL TABLES

UNAUDITED

STATISTICAL SECTION

The Statistical Section provides detailed information as a framework for understanding the information in the financial statements, notes and required supplementary information. This section presents additional data and analysis that may provide the reader with valuable insight regarding the demographics and the overall health of the City.

Contents

Pages

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being has changed over time.

98-104

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the City's most significant local revenue source, the property tax.

105-109

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

110-115

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

116-118

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the city provides and the activities it performs.

119-123

Sources

Unless otherwise noted, the information in these schedules are derived from the comprehensive annual financial reports for the current year. The City implemented GASB Statement 34 for the fiscal year ended June 30, 2003, schedules presenting government-wide information include information beginning that year.

CITY OF LODI

NET ASSETS BY COMPONENT LAST FIVE FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year				
	2007	2006	2005	2004	2003
Governmental activities:					
Invested in capital assets, net of related debt	\$ 110,815	\$ 111,572	\$ 106,293	\$ 100,749	\$ 94,681
Restricted	15,044	14,526	13,465	11,205	12,811
Unrestricted	(3,968)	(8,838)	(8,801)	(9,437)	(7,334)
Total governmental activities net assets	\$ 121,891	\$ 117,260	\$ 110,957	\$ 102,517	\$ 100,158
Business-type activities:					
Invested in capital assets, net of related debt	\$ 97,961	\$ 77,494	\$ 67,668	\$ 64,214	\$ 62,752
Restricted	8,711	10,969	2,351	2,578	240
Unrestricted	6,417	1,880	7,445	(7,511)	(10,270)
Total business-type activities net assets	\$ 113,089	\$ 90,343	\$ 77,464	\$ 59,281	\$ 52,722
Primary government:					
Invested in capital assets, net of related debt	\$ 208,776	\$ 189,066	\$ 173,961	\$ 164,963	\$ 157,433
Restricted	23,755	25,495	15,816	13,783	13,051
Unrestricted	2,449	(6,958)	(1,356)	(16,948)	(17,604)
Total primary government net assets	\$ 234,980	\$ 207,603	\$ 188,421	\$ 161,798	\$ 152,880

Note: The City of Lodi implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

Source: City of Lodi Financial Services Division

CITY OF LODI

CHANGES IN NET ASSETS LAST FIVE FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year				
	2007	2006	2005	2004	2003
Expenses					
Governmental activities:					
General government	\$ 7,853	\$ 9,746	\$ 9,958	\$ 13,167	\$ 12,238
Public protection	23,328	22,105	22,253	19,162	16,632
Public works	10,599	13,229	12,377	11,868	10,946
Community development	2,130	2,290			
Library	1,630	1,485	1,484	1,409	1,454
Parks and recreation	4,172	4,114	4,565	4,095	3,989
Interest and fiscal charges	1,201	1,234	1,617	1,267	1,214
Total governmental activities expenses	50,913	54,203	52,254	50,968	46,473
Business-type activities:					
Electric	67,534	63,780	57,308	55,943	51,388
Wastewater	9,271	8,574	10,653	6,297	6,141
Water	9,875	8,256	11,748	7,489	12,879
Transit	3,577	3,643	3,018	3,064	5,389
Total business-type activities expenses	90,257	84,253	82,727	72,793	75,797
Total primary government expenses	\$ 141,170	\$ 138,456	\$ 134,981	\$ 123,761	\$ 122,270
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 1,280	\$ 1,232	\$ 3,639	\$ 3,144	\$ 2,355
Public protection	582	563	623	525	541
Public works	295	320	461	430	335
Community development	1,174	1,630			
Library	53	54	49	50	57
Parks and recreation	1,007	918	833	679	586
Operating grants and contributions	2,589	2,587	2,195	2,321	3,315
Capital grants and contributions	6,975	14,631	17,559	13,894	6,814
Total governmental activities program revenues	13,955	21,935	25,359	21,043	14,003
Business-type activities:					
Charges for services:					
Electric	65,809	59,112	53,908	52,899	48,873
Wastewater	8,524	8,927	8,086	6,560	6,760
Water	10,040	8,343	7,713	6,007	5,532
Transit	401	386	340	244	293
Operating grants and contributions	2,621	3,377	2,731	2,547	1,772
Capital grants and contributions	19,984	11,146	3,401	8,268	6,566
Total business-type activities program revenues	107,379	91,291	76,179	76,525	69,796
Total primary government program revenues	\$ 121,334	\$ 113,226	\$ 101,538	\$ 97,568	\$ 83,799
Net (Expense)/Revenue					
Governmental activities	\$ (36,958)	\$ (32,268)	\$ (26,895)	\$ (29,925)	\$ (32,470)
Business-type activities	17,122	7,038	(6,548)	3,732	(6,001)
Total primary government net expense	\$ (19,836)	\$ (25,230)	\$ (33,443)	\$ (26,193)	\$ (38,471)

(Continued)

CITY OF LODI

CHANGES IN NET ASSETS (Continued) LAST FIVE FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year				
	2007	2006	2005	2004	2003
General Revenues and Other Changes in Net Assets:					
Governmental activities:					
Taxes:					
Property	\$ 9,524	\$ 8,031	\$ 7,124	\$ 7,188	\$ 6,398
Franchise taxes	9,609	8,721	8,918	8,381	7,624
Business license tax	1,082	973	982	874	822
Transient occupancy tax	380	368	352	317	400
Grants and contributions not restricted to	14,772	14,215	13,193	11,895	12,069
Investment earnings	874	328	150	125	269
Other	621	1,012	608	590	137
Transfers	4,727	4,923	4,008	2,915	2,981
Total governmental activities	41,589	38,571	35,335	32,285	30,700
Business-type activities:					
Investment earnings	2,380	2,008	1,880	2,242	6,457
Litigation- environmental lawsuits	6,222	6,700	9,150	865	2,728
Gain on sale of capital assets					
Other	1,749	2,056	2,432	2,635	1,594
Special item-forgiveness of debt			15,277		
Transfers	(4,727)	(4,923)	(4,008)	(2,915)	(2,981)
Total business-type activities	5,624	5,841	24,731	2,827	7,798
Total primary government	\$ 47,213	\$ 44,412	\$ 60,066	\$ 35,112	\$ 38,498
Change in Net Assets					
Governmental activities	\$ 4,631	\$ 6,303	\$ 8,440	\$ 2,360	\$ (1,770)
Business-type activities	22,746	12,879	18,183	6,559	1,797
Total primary government	\$ 27,377	\$ 19,182	\$ 26,623	\$ 8,919	\$ 27

The City of Lodi implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

Source: City of Lodi Financial Services Division

CITY OF LODI

FUND BALANCES, GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General Fund										
Reserved	\$ 1,144	\$ 1,321	\$ 1,185	\$ 1,296	\$ 927	\$ 856	\$ 532	\$ 473	\$ 149	\$ 231
Unreserved	5,175	3,048	1,507	157	640	2,208	3,414	3,315	2,562	2,030
Total General Fund	\$ 6,319	\$ 4,369	\$ 2,692	\$ 1,453	\$ 1,567	\$ 3,064	\$ 3,946	\$ 3,788	\$ 2,711	\$ 2,261
All other governmental funds										
Reserved	\$ 1,874	\$ 1,138	\$ 4,942	\$ 3,778	\$ 6,405	\$ 3,363	\$ 2,779	\$ 555	\$ 2,167	\$ 943
Unreserved, reported in:										
Special revenue funds	6,651	6,271	1,400	534	2,322	1,814	2,439	5,774	2,298	3,042
Capital projects funds	6,200	5,663	5,650	5,720	7,655	17,905	1,695	3,511	2,230	1,859
Total all other governmental funds	\$ 14,725	\$ 13,072	\$ 11,992	\$ 10,032	\$ 16,382	\$ 23,082	\$ 6,913	\$ 9,840	\$ 6,695	\$ 5,844
	\$ 21,044	\$ 17,441	\$ 14,684	\$ 11,485	\$ 17,949	\$ 26,146	\$ 10,859	\$ 13,628	\$ 9,406	\$ 8,105

Source: City of Lodi Financial Services Division

CITY OF LODI

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Revenues:										
Taxes	\$ 20,594	\$ 18,094	\$ 17,606	\$ 16,908	\$ 24,100	\$ 23,043	\$ 21,909	\$ 19,801	\$ 18,594	\$ 17,790
Licenses and permits	717	1,020	2,511	2,021	1,669	1,464	1,592	1,406	1,267	1,183
Intergovernmental revenues	19,892	25,491	22,834	16,657	7,385	22,000	11,641	9,054	8,370	6,291
Charges for services	4,696	3,848	9,404	4,479	6,272	3,888	4,249	4,611	3,874	2,871
Fines and forfeitures	1,245	1,173	1,190	1,085	803	806	765	714	878	662
Investment and rental income	998	707	753	537	832	1,234	1,509	982	982	1,060
Miscellaneous revenue	304	653	458	473	453	1,349	383	764	242	524
Total revenues	48,446	50,986	54,756	42,160	41,514	53,784	42,048	37,332	34,207	30,381
Expenditures:										
Current:										
General government	8,893	8,345	10,858	10,815	10,874	8,987	8,862	7,813	7,239	7,068
Public protection	22,211	20,863	20,351	17,491	15,597	13,562	13,190	11,430	11,225	10,896
Public works	5,587	7,827	7,361	7,303	6,926	5,741	6,312	5,039	5,151	4,810
Community development	2,062	1,847								
Library	1,588	1,468	1,420	1,356	1,316	1,158	1,184	1,040	1,030	966
Parks and recreation	3,598	3,440	3,691	3,412	3,385	2,860	2,999	2,670	2,230	2,174
Capital outlay	3,526	7,232	9,508	10,041	12,943	17,948	12,044	6,420	6,640	18,383
Debt service:										
Interest and fiscal charges	1,205	1,238	1,645	1,245	1,220	679	755	777	797	818
Principal payments	900	892	855	759	730	555	530	505	485	470
Total expenditures	49,570	53,152	55,689	52,422	52,991	51,490	45,876	35,694	34,797	45,585
Excess (deficiency) of revenues										
Over (under) expenditures	(1,124)	(2,166)	(933)	(10,262)	(11,477)	2,294	(3,828)	1,638	(590)	(15,204)

(Continued)

CITY OF LODI

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (Continued) LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Other financing sources (uses):										
Transfers in	8,863	9,142	8,017	9,774	11,209	12,500	9,355	9,715	16,486	24,883
Transfers out	(4,136)	(4,219)	(4,009)	(6,859)	(8,228)	(13,052)	(10,090)	(7,130)	(14,410)	(23,392)
Capital lease proceeds			124	883		148	670			695
Proceeds from bond refunding						13,269				
Payment to refunded bond escrow						(13,269)				
Proceeds of certificates of participation						13,396				
Residual equity transfer									(187)	
Total other financing sources (uses)	4,727	4,923	4,132	3,798	2,981	12,992	(65)	2,585	1,889	2,186
Net change in fund balances	3,603	2,757	3,199	(6,464)	(8,496)	15,286	(3,893)	4,223	1,299	(13,018)
Fund balances, beginning of year	\$ 17,441	14,684	11,485	17,949	26,445	10,859	13,628	9,405	8,106	21,124
Adjustment to fund balance as previously reported						300	1,124			
Fund balances, end of year	\$ 21,044	\$ 17,441	\$ 14,684	\$ 11,485	\$ 17,949	\$ 26,445	\$ 10,859	\$ 13,628	\$ 9,405	\$ 8,106
Debt service as a percentage of noncapital expenditures	4.8%	4.9%	5.7%	5.0%	5.1%	3.8%	3.9%	4.6%	4.8%	5.0%

Source: City of Lodi Finance Services Division

City of Lodi

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year										% Change 1998 to 2007
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	
Property	\$ 9,289	\$ 7,675	\$ 6,771	\$ 6,948	\$ 6,191	\$ 5,641	\$ 5,322	\$ 4,932	\$ 4,517	\$ 4,374	112%
Sales & Use	10,137	9,812	9,183	8,533	8,709	8,300	8,028	7,095	6,523	6,205	63%
Transient Occupancy	380	368	352	317	400	439	390	318	305	278	37%
Franchise	929	890	821	800	730	931	820	675	618	586	59%
Documentary Transfer	235	355	353	240	207	172	158	116	119	77	205%
Motor Vehicle in Lieu	4,635	4,402	4,606	2,767	3,430	3,276	3,051	3,008	2,221	2,478	87%
Public Protection	390	310	304	264	247	231	242	196	180	180	117%
Business License	1,082	973	982	874	822	787	736	658	612	593	82%
In Lieu Franchise	8,679	7,831	8,097	7,580	6,895	6,569	6,015	5,721	5,627	5,546	56%
Totals	\$ 35,756	\$ 32,616	\$ 31,469	\$ 28,323	\$ 27,631	\$ 26,346	\$ 24,762	\$ 22,719	\$ 20,722	\$ 20,317	76%

Note: General governmental tax revenues are included in taxes, licenses and permits, intergovernmental revenues and miscellaneous revenues.

CITY OF LODI

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Secured roll	\$ 4,799,141	\$ 4,254,184	\$ 3,877,398	\$ 3,619,116	\$ 3,381,945	\$ 3,096,937	\$ 2,880,201	\$ 2,707,343	\$ 2,574,622	\$ 2,515,478
Utility roll	2,773	3,654	3,782	3,893	3,352	3,379	3,484	3,525	3,826	3,699
Unsecured roll	242,082	216,065	215,469	202,785	207,095	198,678	177,040	163,299	146,345	129,396
Gross assessed value	5,043,996	4,473,903	4,096,649	3,825,794	3,592,392	3,298,994	3,060,725	2,874,167	2,724,793	2,648,573
Less exemptions (1)	229,049	220,590	217,077	212,102	200,957	190,252	185,473	183,294	179,835	176,500
Net assessed value	4,814,947	4,253,313	3,879,572	3,613,692	3,391,435	3,108,742	2,875,252	2,690,873	2,544,958	2,472,073
Land	1,431,203	1,226,293	1,107,776	1,027,462	960,166	889,262	832,788	787,249	756,166	728,900
Improvements	3,327,453	2,989,575	2,739,061	2,549,860	2,366,887	2,164,121	1,982,668	1,847,800	1,748,387	1,705,635
Personal property	285,340	258,035	249,812	248,472	265,339	245,611	245,269	239,118	220,240	214,038
Gross assessed value	5,043,996	4,473,903	4,096,649	3,825,794	3,592,392	3,298,994	3,060,725	2,874,167	2,724,793	2,648,573
Less exemptions (1)	229,049	220,590	217,077	212,102	200,957	190,252	185,473	183,294	179,835	176,500
Net assessed value	\$ 4,814,947	\$ 4,253,313	\$ 3,879,572	\$ 3,613,692	\$ 3,391,435	\$ 3,108,742	\$ 2,875,252	\$ 2,690,873	\$ 2,544,958	\$ 2,472,073
Total Direct Tax Rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

(1) All exemptions (secured, utility, and unsecured rolls) are homeowners - \$72,127 and other - \$156,922 = 229,049

Note: In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only assessed at the time that it is sold to a new owner. At that point, the property being sold is reassessed at the purchase price. The assessed valuation data shown above represents the only data currently available with respect to the the actual market value of taxable property and is subject to the limitations described above.

Source: San Joaquin County Auditor-Controller's Office

CITY OF LODI

DIRECT AND OVERLAPPING PROPERTY TAX RATES LAST TEN FISCAL YEARS (Rate per \$100 of assessed value)

Fiscal Year	Basic			Total
	Countywide Levy	School	All Other	
2007	1.0000	0.0478	0.0000	1.0478
2006	1.0000	0.0570	0.0000	1.0570
2005	1.0000	0.0311	0.0000	1.0311
2004	1.0000	0.0475	0.0000	1.0475
2003	1.0000	0.0487	0.0000	1.0487
2002	1.0000	0.0002	0.0000	1.0002
2001	1.0000	0.0002	0.0000	1.0002
2000	1.0000	0.0002	0.0034	1.0036
1999	1.0000	0.0001	0.0034	1.0035
1998	1.0000	0.0019	0.0034	1.0053

Source: San Joaquin County Auditor/Controller's Office

CITY OF LODI

PRINCIPAL PROPERTY TAX PAYERS CURRENT YEAR AND NINE YEARS AGO (Dollar amounts in thousands)

Taxpayer	Fiscal Year					
	2007			1999*		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value (1)	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
General Mills, Inc	\$ 145,809	1	3.188 %	\$ 175,049	1	7.310 %
Pacific Coast Producers	34,451	2	0.753	44,686	2	1.866
Pacific Coast Producers Corp.	27,719	3	0.606			
Cottage Bakery Inc.	24,966	4	0.546			
Kristmont West	21,961	5	0.480			
Certainfeed Corp.	19,455	6	0.425			
Parinehs Exchange 2004 LLC	19,318	7	0.422			
Dart Container Corp.	17,980	8	0.393	12,885	5	0.538
Panattoni, Carl D ETAL	13,243	9	0.290			
Ford Construction Co Inc	13,031	10	0.285			
Dayton Hudson Corp				15,623	3	
California Waste Removal System				14,354	4	
GFLIP Limited Partners				12,941	6	
Wells Fargo Bank				11,775	7	
First Lodi Associates				11,620	8	
Wallace Computer Service				10,738	9	
Edmund N. Richmond				10,455	10	
Principal Secured Property Valuation	337,933		7.390	320,126		13.368
Other Secured Taxpayers	4,461,208		97.553	2,254,496		94.142
Exemptions relative to secured tax roll	226,041		4.943	179,835		7.509
Total Secured Property Valuation	<u>\$ 4,573,100</u>		<u>100.000 %</u>	<u>\$ 2,394,787</u>		<u>100.000 %</u>

* 1998 information is not readily available.

CITY OF LODI

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS (Dollar amounts in thousands)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Total Collections to Date	
		Amount	Percent of Levy (1)	Amount	Percent of Levy
2007	\$ 8,170	\$ 8,170	100.0%	\$ 8,170	100.0%
2006	7,815	7,815	100.0%	7,815	100.0%
2005	7,057	7,057	100.0%	7,057	100.0%
2004	6,570	6,570	100.0%	6,570	100.0%
2003	5,832	5,832	100.0%	5,832	100.0%
2002	5,757	5,757	100.0%	5,757	100.0%
2001	5,182	5,182	100.0%	5,182	100.0%
2000	5,056	5,056	100.0%	5,056	100.0%
1999	4,653	4,653	100.0%	4,653	100.0%
1998	4,444	4,444	100.0%	4,444	100.0%

1) Per agreement with San Joaquin County, the County provides the City of Lodi with 100% of the amount owed to the City for secured properties, regardless of collection status. In exchange, the County is entitled to 100% of revenues collected for interest and penalties. This agreement is commonly referred to as the Teeter Plan.

Source: San Joaquin County Auditor/Controller's Office

CITY OF LODI

ELECTRICITY SOLD BY TYPE OF CUSTOMER LAST TWO FISCAL YEARS

Type of Customer	Billed Accounts	Billed Accounts
	2007	2006
City Accounts	186	184
Contract Large Industrial	5	6
Contract Medium Industrial	1	2
Contract Small Industrial	0	1
Domestic Residential	22,938	22,860
Domestic Mobile Home Park	13	13
Dusk to Dawn	95	95
Large Commercial	375	359
Large Industrial	33	33
Medium Industrial	10	13
Residential Low Income	2,003	1,910
Small Commerical	3,241	3,279
Small Industrial	10	9
Total	28,910	28,764

Information prior to the implementation of GASB 44 is not available.

Source: City of Lodi Financial Services Division

CITY OF LODI

RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS (Dollar amounts in thousands, except per capita)

Governmental Activities					Business-type Activities						
Fiscal Year	Certificates of Participation	Loan Payable	Notes Payable	Total Governmental Activities	Certificates of Participation	Notes Payable	Total Business-type Activities	Total Primary Government	Population	Per Capita	
2007	\$ 23,975	\$ 187	\$ 245	24,407	\$ 121,675	\$ 1,918	123,593	\$ 148,000	63	2,349	
2006	24,510	279	245	25,034	125,340	2,077	127,417	152,451	63	2,420	
2005	25,030	368	245	25,643	126,615	2,230	128,845	154,488	62	2,492	
2004	25,530	456	245	26,231	148,675	2,378	151,053	177,284	61	2,906	
2003	26,015	543	245	26,803	117,515	2,521	120,036	146,839	61	2,407	
2002	26,745	622	245	27,612	75,285	2,660	77,945	105,557	59	1,789	
2001	12,980			12,980	59,931	2,794	62,725	75,705	59	1,283	
2000	13,510			13,510	55,544	2,923	58,467	71,977	58	1,241	
1999	14,015			14,015	9,762	2,892	12,654	26,669	57	468	
1998	14,500			14,500	9,872	3,013	12,885	27,385	56	489	

Details regarding the City's outstanding debt can be found in the Note 8 on pages 45-57 of these financial statements.

Source: City of Lodi Financial Services Division

CITY OF LODI

RATIOS OF GENERAL BONDED DEBT OUTSTANDING LAST TEN FISCAL YEARS

(Dollar amounts in thousands, except per capita)

Fiscal Year	Certificates of Participation	Total	Percent of Assessed Value (1) of Property	Per Capita
2007	\$ 23,975	\$ 23,975	0.5 %	\$ 381.66
2006	24,510	24,510	0.5	390.18
2005	25,030	25,030	0.6	400.69
2004	25,530	25,530	0.7	420.12
2003	26,015	26,015	0.7	430.00
2002	26,745	26,745	0.8	450.02
2001	12,980	12,980	0.4	221.50
2000	13,510	13,510	0.5	233.33
1999	14,015	14,015	0.5	246.31
1998	14,500	14,500	0.5	260.32

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

(1) Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

Source: City of Lodi Financial Services Division

CITY OF LODI

LEGAL DEBT MARGIN INFORMATION LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	FISCAL YEAR									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Assessed valuation (1)	\$ 4,887,074	\$ 4,325,000	\$ 3,951,862	\$ 3,686,227	\$ 3,464,195	\$ 3,177,319	\$ 2,942,348	\$ 2,757,557	\$ 2,611,744	\$ 2,538,593
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,221,769	1,081,250	987,966	921,557	866,049	794,330	735,587	689,389	652,936	634,648
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt Limit	183,265	162,188	148,195	138,234	129,907	119,149	110,338	103,408	97,940	95,197
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 183,265</u>	<u>\$ 162,188</u>	<u>\$ 148,195</u>	<u>\$ 138,234</u>	<u>\$ 129,907</u>	<u>\$ 119,149</u>	<u>\$ 110,338</u>	<u>\$ 103,408</u>	<u>\$ 97,940</u>	<u>\$ 95,197</u>
Total net debt applicable to the limit as a percent of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1982 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computation shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time the legal debt margin was enacted by the State of California for local governments located within the state.

(1) Reflects City assessed valuation with other exemptions of \$156,922 deducted for 2007.

Source: San Joaquin County Auditor-Controller's Office

CITY OF LODI
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2007

	<u>Total Debt</u> <u>06/30/07</u>	<u>Percentage</u> <u>Applicable (1)</u>	<u>City's Share</u> <u>of Debt</u>
OVERLAPPING TAX AND ASSESSMENT DEBT:			
San Joaquin Community College District	\$ 82,231,890	8.332 %	\$ 6,851,561
Lodi Unified school District	105,175,000	35.678	37,524,337
City of Lodi 1915 Act Bonds	735,000	100.00	735,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 45,110,898
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Joaquin County Certificates of Participation	\$ 121,090,000	9.178 %	\$ 11,113,640
Lodi Unified School District Certificates of Participation	36,275,000	35.678	12,942,195
City of Lodi Certificates of Participation	23,975,000	100.00	23,975,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 48,030,835
COMBINED TOTAL DEBT(2)			<u>\$ 93,141,732</u>
2006-07 Assessed Valuation	\$ 5,043,996,000		
2006-07 Population	63,395		
DEBT RATIOS	Total Gross Debt	\$ 93,141,732	\$ <u>Per Capita</u> 1,469
			<u>Value</u> 1.85%

(1) Percent of overlapping agency's assessed valuation located within the boundaries of the City.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

SOURCE: California Municipal Statistics., San Francisco, CA

San Joaquin County Auditors-Controller Office

State of California, Department of Finance, Demographic Research Unit

CITY OF LODI

PLEDGED-REVENUE COVERAGE LAST TEN FISCAL YEARS (Dollars amounts in thousands)

Fiscal Year	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
Electric Revenue Certificates of Participation							
2007	\$ 67,015	\$ 56,932	\$ 10,083	\$ 2,350	\$ 4,134	\$6,484	1.56
2006	60,339	54,283	6,056	-	2,049	2,049	2.96
2005	55,183	48,278	6,905	5,895	3,541	9,436	0.73
2004	55,074	46,858	8,216	2,150	3,203	5,353	1.53
2003	55,304	42,739	12,565	4,575	2,836	7,411	1.70
2002	49,089	63,545	(14,456)	1,100	1,359	2,459	(5.88)
2001	44,594	46,253	(1,659)		1,391	1,391	(1.19)
2000	41,219	40,016	1,203		1,330	1,330	0.90
1999	37,847	38,141	(294)				
1998	36,281	34,561	1,720				
1997	36,236	32,992	3,244				

continued

CITY OF LODI

PLEDGED-REVENUE COVERAGE (continued) LAST TEN FISCAL YEARS (Dollars amounts in thousands)

Fiscal Year	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
Wastewater Certificates of Participation							
2007	9,446	5,287	4,159	1,315	2,055	3,370	1.23
2006	9,496	4,886	4,610	1,275	2,092	3,367	1.37
2005	8,650	7,028	1,622	540	1,909	2,449	0.66
2004	6,635	4,385	2,250	175	715	890	2.53
2003	6,824	4,380	2,444	160	639	799	3.06
2002	4,193	4,808	(615)	150	649	799	(0.77)
2001	4,868	4,336	532	145	658	803	0.66
2000	4,000	3,147	853	140	667	807	1.06
1999	4,196	2,957	1,239	125	675	800	1.55
1998	4,034	2,914	1,120	120	682	802	1.40
1997	3,719	2,863	856	115	689	804	1.06

Includes all nongeneral obligation long term debt backed by pledged revenues.

Details regarding the City's outstanding debt can be found in the Note 8 on pages 45-57 of these financial statements.

(1) Total operating revenues including investment earnings.

(2) Total operating expenses exclusive of depreciation and amortization.

Source: City of Lodi Financial Services Division

CITY OF LODI

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS

Fiscal Year	Square Miles	City Population	Population Percent Change	San Joaquin County Population	Population Percent of County	Rank in Size of California Cities	Personal Income (millions of dollars)	Per Capita Personal Income
2007	13.17	63,395	0.9%	679,687	9.3%	129	n/a	n/a
2006	12.81	62,817	0.6%	668,265	9.4%	131	\$ 18,273	\$ 27,144
2005	12.81	62,467	2.8%	653,333	9.6%	131	17,387	26,181
2004	12.79	60,769	0.4%	630,600	9.6%	130	16,573	25,527
2003	12.69	60,500	1.8%	613,500	9.9%	179	15,543	24,620
2002	12.62	59,431	1.4%	596,000	10.0%	129	14,747	24,150
2001	12.60	58,600	1.2%	583,700	10.0%	126	14,281	24,086
2000	12.50	57,900	1.8%	566,600	10.2%	125	13,757	24,209
1999	12.32	56,900	2.2%	554,400	10.3%	124	12,632	22,867
1998	12.32	55,700	1.6%	545,200	10.2%	124	11,859	21,952

Personal income is the income received by all persons from all sources. Personal income is the some of net earnings by place of residence, rental income of persons, personal dividend income, personal interest income, and personal current transfer receipts.

Per capita personal income is calculated as the personal income of residents of a given area divided by the resident population of the area. In computing per capita personal income, Bureau of Economic analysis uses the Census Bureau's annual midyear population estimates.

Source: State of California, Department of Finance, Demographic Reseach Unit.

CITY OF LODI

PRINCIPAL PRIVATE EMPLOYERS CURRENT YEAR AND NINE YEARS AGO

<u>Employer</u>	Current			Nine Years Ago		
	Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
Lodi Unified School District	3,301	1	12.64 %	2,247	1	8.60
Pacific Coast Producers	1,430	2	5.47	530	4	2.03
Lodi Memorial Hospital	1,342	3	5.14	650	3	2.49
Cottage Bakery	695	4	2.66			0.00
Blue Shield	650	5	2.49			0.00
City of Lodi	569	6	2.18	387	5	1.48
General Mills	438	7	1.68	852	2	3.26
Farmers & Merchants Bank	334	8	1.28	183	9	0.70
Walmart	317	9	1.21	226	6	0.87
Target	190	10	0.73	200	7	0.77
Valley Industries				191	8	0.73
Lodi Fab Industries, Inc				170	10	0.65
Total	<u>9,266</u>		<u>35.47</u>	<u>5,636</u>		<u>21.57</u>

Note: The City of Lodi implemented GASB 44 for the fiscal year ended June 30, 2006.
Information prior to the implementation of GASB 44 is not available.

CITY OF LODI

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY DEPARTMENT FOR LAST TEN YEARS

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Department:										
Administration	35	33	37	36	37	34	34	32	30	26
Community Development	18	17	17	17	18	17	17	15	15	14
Electric	64	65	52	52	52	50	47	46	44	44
Finance	30	28	38	38	38	35	34	34	32	34
Fire	64	61	68	61	68	55	52	50	49	48
Library	16	14	15	15	15	14	14	14	14	14
Parks & Recreation	34	31	34	34	34	29	29	26	26	27
Police	116	117	117	116	117	115	114	113	113	112
Public Works	114	99	111	110	110	108	103	99	95	94
Total	491	465	489	479	489	457	444	429	418	413

Source: City of Lodi Budget Document

CITY OF LODI

OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT FOR LAST TWO FISCAL YEARS

	Fiscal Year 2007	Fiscal Year 2006
General government:		
Building permits issued	2,317	2,699
Business tax certificates:		
Retail sales and service	2632	2,565
Manufacturers and processors	78	125
Professions	404	322
Miscellaneous contractors, peddlers, delivery vehicles, etc.	1127	533
Utility billing/customer service:		
Number of customers	25,712	25,655
Energy sales (KWH)	458,740,745	459,637,092
Peak demand (MW)	144	127
Public safety:		
Police:		
Major reported crimes	3,096	3,234
Total arrests	5,463	5,162
Dispatched calls for service	53,686	55,937
Fire:		
Interior structure fire calls	79	66
Non-structural fire calls	163	158
Hazardous materials calls	27	26
Emergency medical calls	3,213	2,912
Total emergency calls	5,000	4,447
Total number of units dispatched	7,005	6,055
Public works:		
Miles of streets resurfaced	4	33
Fleet job orders completed	6,938	5,608
Trees planted	95	300
Water utility:		
New connections	110	266
Water main breaks	10	8
Wastewater utility:		
Average daily treatment (million gal/day)	6.9MG	6.7MG
Library:		
Registered borrowers	44,558	52,779
Circulation of library materials	273,270	281,216
Reference, research and informational questions answered	18,854	17,342
Annual attendance at libraries	288,070	287,986
Number of programs offered	339	320
Annual attendance at programs	10,700	10,872
Public access computer usage	35,260	29,896
Community center:		
Community center bookings	302	220

CITY OF LODI

OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT FOR LAST TWO FISCAL YEARS

	Fiscal Year 2007	Fiscal Year 2006
Instructional classes	478	509
Registered students	3,548	4,369
Yearly attendance	14,429	15,369
Parks and recreation:		
After school program registration (number of participants/sites)	145,000/12	135,000/12
Adult sports		
Program/Participation	36,000	36,000
Programs offered	11	11
Partnerships	3	5
Tournaments	20	20
Youth/Teen sports		
Program attendance	200,000	200,000
Programs offered	14	20
Aquatics		
Program attendance	59,000	59,000
Number of programs	8	6

Note: The City of Lodi implemented GASB 44 for the fiscal year ended June 30, 2006.
Information prior to the implementation of GASB 44 is not available.

Source: City of Lodi

CITY OF LODI

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT LAST THREE FISCAL YEARS

	Fiscal Year		
	2007	2006	2005
General government:			
Total square miles	13.17	12.81	12.81
Public safety:			
Police:			
Facilities:			
Stations	1	1	1
Animal control facility	1	1	1
Police training facility (pistol range)	1	1	1
Vehicles:			
Marked patrol cars	25	28	28
Motorcycles and scooters	5	4	1
Animal control vehicles	2	3	3
Other automobiles	41	41	41
Fire:			
Facilities:			
Fire stations	4	4	4
Vehicles:			
Fire engines	6	5	5
Trucks/Trailers	8	7	7
Other automobiles	10	11	11
Public works:			
Miles of streets	184	198	100
Miles of alley ways	16	16	14
Traffic signals	66	64	60
Street lights	7,270	7,203	6,995

CITY OF LODI

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT LAST THREE FISCAL YEARS

	Fiscal Year		
	2007	2006	2005
Parks and recreation:			
Parks and squares	23	23	23
Park acreage	275	275	275
Boating facilities - launch lanes	1	1	1
Senior center	1	1	1
Community Centers	1	1	1
Swimming pools	3	3	3
Baseball/softball diamonds	26	26	26
Tennis courts	11	11	11
Skateboard park	1	1	1
Playgrounds	22	22	22
Ballpark	26	26	26
Soccer Field	22	22	22
Football Field	3	3	3
Handball/Basketball/Volleyball Courts	8	8	8
Horseshoe Pits	10	10	10
Library:			
Central library	1	1	1
Total items in collection	142,098	134,129	137,673
Integrated library system	1	1	1
Microform readers	1	1	1
Microform readers/printers	1	1	1
Self check out machines	1	1	1
Electric utility:			
Overhead lines 12kv (miles)	129	129	129
Overhead lines 60kv (miles)	13	13	13
Underground lines (miles)	151	151	151

CITY OF LODI

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT LAST THREE FISCAL YEARS

	Fiscal Year		
	2007	2006	2005
Water utility:			
Water main lines	238	235	230
Water storage capacity (gallons)	1,100,000	1,100,000	1,100,000
Water wells	26	26	25
Water reservoirs	2	2	2
Wastewater utility:			
Wastewater main lines (miles)	189	183	182
Treatment capacity	8.5	8.5 MG	8.5 MG
Wastewater treatment plant	1	1	1
Stormwater utility:			
Stormwater main drain lines (miles)	161	115	114
Stormwater pump stations	14	13	14
Central parking district:			
Parking structure	1	1	1
Parking spaces	2453	2,453	2,453
Parking lots	25	25	25

Note: The City of Lodi implemented GASB 44 for the fiscal year ended June 30, 2006. Information prior to 2005 are not readily available.

Source: City of Lodi Departments

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SINGLE AUDIT REPORTS

CITY OF LODI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Federal Grantor			
Pass-through Grantor or Direct	CFDA	Grant/Project	
Program Title	Number	Number	Expenditures
U.S. Department of Housing and Urban Development			
Passed through San Joaquin County Department of Planning and Building Inspection			
Community Development Block Grants/Entitlement Grants:			
2005-2006 Program Year	14.218	N/A	\$ 1,538
2004-2005 Program Year	14.218	N/A	50,098
2003-2004 Program Year	14.218	N/A	36,024
2001-2002 Program Year	14.218	N/A	27
Total Community Development Block Grants/Entitlement Grants			<u>87,687</u>
U.S. Department of Justice			
Direct:			
Local Law Enforcement Block Grant Program	16.592	2004-LB-BX-0133	14,959
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-DJ-BX-1492	20,140
Total U.S. Department of Justice			<u>35,099</u>
U.S. Department of Transportation			
Direct:			
Federal Transit Formula Grants:			
2006-2007 Program Year - Operating	20.507	CA-90-Y565-00	1,057,688
2006-2007 Program Year - Capital	20.507	CA-90-Y565-00	97,911
2005-2006 Program Year - Capital	20.507	CA-90-Y413-00	300,000
2004-2005 Program Year - Capital	20.507	CA-90-Y432-00	41,616
Total Federal Transit Formula Grants			<u>1,497,215</u>
U.S. Department of Health and Human Services			
Passed through San Joaquin County Department of Health Services Agency:			
National Family Caregiver Support, Title III. Part E	93.052	A-06-371	7,500
Total federal awards			<u>\$ 1,627,501</u>

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF LODI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) for the fiscal year ended June 30, 2007, presents the activity of all federal award programs of the City of Lodi, California (City). The City reporting entity is defined in Note 1 of the City's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included in the SEFA.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying SEFA is presented using the modified accrual basis of accounting for grants accounted for in governmental fund types and the full accrual basis of accounting for grants accounted for in proprietary fund types, as described in Note 1 of the City's basic financial statements.

NOTE 3 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE

The CFDA numbers included in the accompanying SEFA were determined based on the program name, review of grant contract information and Office of Management and Budget's Catalog of Federal Domestic Assistance.

NOTE 4 – SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

<u>Federal Program</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Federal Transit Formula Grants	20.507	\$ 296,076

The Honorable Members of City Council
City of Lodi, California

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lodi, California (City), as of and for the fiscal year ended June 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 5, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of City of Lodi, in a separate letter dated December 5, 2007.

This report is intended solely for the information and use of the City Council, management, federal and state grantor agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California
December 5, 2007

The Honorable Members of City Council
City of Lodi, California

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of the City of Lodi, California (City), with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2007. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of and for the fiscal year ended June 30, 2007, and have issued our report thereon dated December 5, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, management, federal and state grantor agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California
December 5, 2007

CITY OF LODI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

CITY OF LODI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Identification of major programs:

Federal Transit Formula Grant

CFDA #20.507

Dollar threshold used to distinguish
between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

CITY OF LODI
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Prior Year Finding No. 05-03

Community Development Block Grants/Entitlement Grants
CFDA No. 14.218
Department of Housing and Urban Development
Sub-recipient Monitoring

Criteria

Monitoring the sub-recipient's use of federal awards through site visits or other means is required to provide reasonable assurance that the sub-recipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Condition

The City has a sub-recipient agreement dated November 1, 2004 with the Salvation Army that requires the Salvation Army to submit three quarterly reports and one annual report. Per our testing, we noted that the Salvation Army has not submitted any of the required reports as required by the sub-recipient agreement. Further inquiry established that the City Community Development Department does not have a written sub-recipient monitoring procedures policy.

Questioned Costs

The amount passed-through to the Salvation Army during the year was \$355,360.

Cause

The City Community Development Department does not have in place a sub-recipient monitoring policy that establishes written procedures for effective monitoring of sub-recipients. In addition, per admission of the Community Development Director of the City, the Community Development Department does not have sufficient staff to document timely management decisions for audit and monitoring findings, maintain a system to track and following-up on reported deficiencies related to programs funded by the recipient, or maintaining regular contacts with sub-recipients and appropriate inquiries concerning the federal programs.

Effect

The City could be subject to sanctions.

CITY OF LODI
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Recommendation

We recommend that the City put into place a comprehensive monitoring policy that establishes clear guidelines for communication of federal award requirements to sub-recipients, responsibilities for monitoring sub-recipients, process and procedures for monitoring, methodology for resolving findings of sub-recipient noncompliance or weaknesses in internal control, and requirements for and processing of sub-recipient audits, including appropriate adjustment of pass-through entity's accounts. In addition, we recommend that the City obtain sufficient staffing resources in order to enhance monitoring of sub-recipients. Additional funding for staff can be obtained by using Community Development Block Funds for administration. Currently, the Community Development Department can use 20% of Community Development Block Grant Funds for administration; however, administration charges to these funds have been well below the allotted percentage.

Prior Year's Management's Response

The Community Development Director indicates that they will not receive any monitoring reports from the Salvation Army until after the City delivers the funds and that any monitoring requirements can be handled in their day to day involvement with the Salvation Army.

Prior Year Status

In the current year, there is a new project allocated to the Salvation Army, but the contract has yet to be executed. As such, the City has not disbursed any funds to the Salvation Army this year. Therefore, for the current year there are no progress reports or an annual report for testing. However, the City has not received the required progress reports or an annual report from the prior year's project with the Salvation Army. Although City staff has compiled information from the Salvation Army for reporting purposes, we considered the prior year finding to be a continuing finding for the current year.

Current Year Status

The City has implemented a subrecipient monitoring plan for the CDBG program and obtained monitoring reports of it's subrecipients' grant activity, therefore, we consider this finding resolved.



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolution Authorizing City Manager to Execute Professional Services Agreement with Mark Thomas & Company and Cooperative Agreement with San Joaquin Council of Governments for Preparation of State Route 99/ Harney Lane Interchange Project Study Report and Project Report and Appropriating Funds (\$700,000)

MEETING DATE: January 16, 2008

PREPARED BY: Public Works Director

RECOMMENDED ACTION: Adopt a resolution authorizing the City Manager to execute the attached professional services agreement with Mark Thomas & Company and Cooperative Agreement with San Joaquin Council of Governments (SJCOG) for preparation of the State Route 99/ Harney Lane Interchange Project Study Report and Project Report and appropriating \$700,000 for the project.

BACKGROUND INFORMATION: Recent project approvals by the City Council of the Reynolds Ranch, Southwest Gateway, and Westside Annexations require that reconstruction of the State Route 99/Harney Lane Interchange be completed to serve the demands resulting from development of these projects. The process to plan, design and construct an interchange on the State highway system is a long and complex one. Timely improvements to the interchange are important to the retail and commercial tenants at the Reynolds Ranch site and the City's future economic viability.

The first step is preparation of a Project Study Report (PSR) that will establish the geometry of the new interchange, right of way requirements and environment review scoping. Initially, the consultant team will pursue the Project Report (PR) but will ultimately seek Caltrans approval to prepare a combined PSR/PR with the objective to trim approximately 12 months off the project entitlement process. At the conclusion of the PSR/PR or after approximately 24 months, the project will be ready for design and right of way acquisition to be followed by construction.

Consultant selection for this project was coordinated by SJCOG in conjunction with their program to pre-qualify consultants for the State Highway Bond projects. Mark Thomas & Company was selected as a pre-qualified consultant and requested assignment to the State Route 99/Harney Lane project. The City has contracted with Mark Thomas & Company for design services on multiple projects in the City including Kettleman Lane Widening (Lower Sacramento Road to Cherokee Lane) and Lower Sacramento Road Widening (Turner Road to Harney Lane). Recently, this firm has been working with the Reynolds Ranch project sponsors to define the right of way limits of the new interchange as it affects the site design of the new shopping center.

Funding for the PSR/PR work is coming from Surface Transportation Program and Measure K funds. Funding for the construction of the interchange will be a combination of Measure K Renewal, Local

APPROVED: _____
Blair King, City Manager

Adopt Resolution Authorizing City Manager to Execute Professional Services Agreement with Mark Thomas & Company and Cooperative Agreement with San Joaquin Council of Governments for Preparation of State Route 99/Harney Lane Interchange Project Study Report and Project Report and Appropriating Funds (\$700,000)
January 16, 2008
Page 2

Impact Mitigation Fees, Regional Transportation Impact Fees and contributions from those projects with approved Development Agreements.

FISCAL IMPACT: None.

FUNDING AVAILABLE: Appropriation of the following funds is required.
Surface Transportation Program Grant (335) \$458,914
Measure K Grant (325) \$214,086

Kirk Evans, Budget Manager

Richard C. Prima, Jr.
Public Works Director

Prepared by F. Wally Sandelin, City Engineer

RCP/FWS/pmf

Attachments

AGREEMENT FOR CONSULTING SERVICES

ARTICLE 1 PARTIES AND PURPOSE

Section 1.1 Parties

THIS AGREEMENT is entered into on _____, by and between the CITY OF LODI, a municipal corporation (hereinafter "CITY"), and MARK THOMAS & COMPANY, INC. (hereinafter "CONSULTANT").

Section 1.2 Purpose

CITY selected the CONSULTANT to provide the conceptual design services and environmental services required in accordance with attached scope of services, Exhibit A.

CITY wishes to enter into an agreement with CONSULTANT for Harney Lane / Route 99 Combined PSR/PR project (hereinafter "Project") as set forth in the Scope of Services attached here as Exhibit A.

ARTICLE 2 SCOPE OF SERVICES

Section 2.1 Scope of Services

CONSULTANT, for the benefit and at the direction of CITY, shall perform the scope of services as set forth in Exhibit A, attached and incorporated by this reference.

Section 2.2 Time For Commencement and Completion of Work

CONSULTANT shall commence work within ten (10) days of executing this Agreement, and complete work under this Agreement based on a mutually agreed upon timeline.

CONSULTANT shall not be responsible for delays caused by the failure of CITY staff or agents to provide required data or review documents within the appropriate time frames. The review time by CITY and any other agencies involved in the project shall not be counted against CONSULTANT's contract performance period. Also, any delays due to weather, vandalism, acts of God, etc., shall not be counted. CONSULTANT shall remain in contact with reviewing agencies and make all efforts to review and return all comments in a timely manner.

Section 2.3 Meetings

CONSULTANT shall attend meetings as indicated in the Scope of Services, Exhibit A.

Section 2.4 Staffing

CONSULTANT acknowledges that CITY has relied on CONSULTANT's capabilities and on the qualifications of CONSULTANT's principals and staff as identified in its proposal to CITY. The scope of services shall be performed by CONSULTANT, unless agreed to otherwise by CITY in writing. CITY shall be notified by CONSULTANT of any change of Project Manager and CITY is granted the right of approval of all original, additional and replacement personnel in CITY's sole discretion and shall be notified by CONSULTANT of any changes of CONSULTANT's project staff prior to any change.

CONSULTANT represents that it is prepared to and can perform all services within the scope of services specified in Exhibit A. CONSULTANT represents that it has, or will have at the time this Agreement is executed, all licenses, permits, qualifications, insurance and approvals of whatsoever nature are legally required for CONSULTANT to practice its profession, and that CONSULTANT shall, at its own cost and expense, keep in effect during the life of this Agreement all such licenses, permits, qualifications, insurance and approvals.

Section 2.5 Subcontracts

CITY acknowledges that CONSULTANT may subcontract certain portions of the scope of services to subconsultants as specified and identified in Exhibit A. Should any subconsultants be replaced or added after CITY's approval, CITY shall be notified within ten (10) days and said subconsultants shall be subject to CITY's approval prior to initiating any work on the Project. CONSULTANT shall remain fully responsible for the complete and full performance of said services and shall pay all such subconsultants.

ARTICLE 3 COMPENSATION

Section 3.1 Compensation

CONSULTANT's compensation for all work under this Agreement shall conform to the provisions of Fee Proposal, attached as a portion of Exhibit A.

CONSULTANT shall not undertake any work beyond the scope of this Agreement unless such additional work is approved in advance and in writing by CITY.

Section 3.2 Method of Payment

CONSULTANT shall submit invoices for completed work on a monthly basis, providing, without limitation, details as to amount of hours, individual performing said work, hourly rate, and indicating to what aspect of the scope of services said work is attributable.

Section 3.3 Costs

The fees shown on Exhibit A include all reimbursable costs required for the performance of the individual work tasks by CONSULTANT and/or subconsultant and references to reimbursable costs located on any fee schedules shall not apply. Payment of additional reimbursable costs considered to be over and above those inherent in the original Scope of Services shall be approved by CITY.

CONSULTANT charge rates are attached and incorporated with Exhibit A. The charge rates for CONSULTANT shall remain in effect and unchanged for the duration of the Project unless approved by CITY.

Section 3.4 Auditing

CITY reserves the right to periodically audit all charges made by CONSULTANT to CITY for services under this Agreement. Upon request, CONSULTANT agrees to furnish CITY, or a designated representative, with necessary information and assistance.

CONSULTANT agrees that CITY or its delegate will have the right to review, obtain and copy all records pertaining to performance of this Agreement. CONSULTANT agrees to provide CITY or its delegate with any relevant information requested and shall permit CITY or its delegate access to its premises, upon reasonable notice, during normal business hours for the purpose of interviewing employees and inspecting and copying such books, records, accounts, and other material that may be relevant to a matter under investigation for the purpose of determining compliance with this requirement. CONSULTANT further agrees to maintain such records for a period of three (3) years after final payment under this Agreement.

ARTICLE 4 MISCELLANEOUS PROVISIONS

Section 4.1 Nondiscrimination

In performing services under this Agreement, CONSULTANT shall not discriminate in the employment of its employees or in the engagement of any

subconsultants on the basis of race, color, religion, sex, sexual orientation, marital status, national origin, ancestry, age, or any other criteria prohibited by law.

Section 4.2 Responsibility for Damage

CONSULTANT shall indemnify and save harmless the City of Lodi, the City Council, elected and appointed Boards, Commissions, all officers and employees or agents of the City of Lodi from any suits, claims or actions brought by any person or persons for or on account of any injuries or damages sustained or arising from the services performed in this Agreement but only to the extent caused by the negligent acts, errors or omissions of CONSULTANT and except those injuries or damages arising out of the active negligence of the City of Lodi or its agents, officers or agents.

Section 4.3 No Personal Liability

Neither the City Council, the City Engineer, nor any other officer or authorized assistants or agents or employees of the City of Lodi shall be personally responsible for any liability arising under this Agreement.

Section 4.4 Responsibility of CITY

CITY shall not be held responsible for the care or protection of any material or parts of the work prior to final acceptance, except as expressly provided herein.

Section 4.5 Insurance Requirements for CONSULTANT

CONSULTANT shall take out and maintain during the life of this Agreement, insurance coverage as listed below. These insurance policies shall protect CONSULTANT and any subcontractor performing work covered by this Agreement from claims for damages for personal injury, including accidental death, as well as from claims for property damages, which may arise from CONSULTANT'S operations under this Agreement, whether such operations be by CONSULTANT or by any subcontractor or by anyone directly or indirectly employed by either of them, and the amount of such insurance shall be as follows:

1. **COMPREHENSIVE GENERAL LIABILITY**

\$1,000,000 Bodily Injury -

Ea. Occurrence/Aggregate

\$1,000,000 Property Damage -

Ea. Occurrence/Aggregate

or

\$1,000,000 Combined Single Limits

2. COMPREHENSIVE AUTOMOBILE LIABILITY

\$1,000,000 Bodily Injury - Ea. Person

\$1,000,000 Bodily Injury - Ea. Occurrence

\$1,000,000 Property Damage - Ea. Occurrence

or

\$1,000,000 Combined Single Limits

A copy of the certificate of insurance with the following endorsements shall be furnished to CITY:

(a) Additional Named Insured Endorsement

Such insurance as is afforded by this policy shall also apply to the City of Lodi, its elected and appointed Boards, Commissions, Officers, Agents, Employees and Volunteers as additional named insureds insofar as work performed by the insured under written Agreement with CITY. (This endorsement shall be on a form furnished to CITY and shall be included with CONSULTANT'S policies.)

(b) Primary Insurance Endorsement

Such insurance as is afforded by the endorsement for the Additional Insureds shall apply as primary insurance. Any other insurance maintained by the City of Lodi or its officers and employees shall be excess only and not contributing with the insurance afforded by this endorsement.

(c) Severability of Interest Clause

The term "insured" is used severally and not collectively, but the inclusion herein of more than one insured shall not operate to increase the limit of the company's liability.

(d) Notice of Cancellation or Change in Coverage Endorsement

This policy may not be canceled by CONSULTANT without 30 days' prior written notice of such cancellation to the City Attorney, City of Lodi, P.O. Box 3006, Lodi, CA 95241.

(e) CONSULTANT agrees and stipulates that any insurance coverage provided to CITY shall provide for a claims period following termination of coverage which is at least consistent with the claims period or statutes of limitations found in the California Tort Claims Act (California Government Code Section 810 et seq.). "Claims made" coverage requiring the insureds to give notice of any potential

liability during a time period shorter than that found in the Tort Claims Act shall be unacceptable.

Section 4.6 Worker's Compensation Insurance

CONSULTANT shall take out and maintain during the life of this Agreement, Worker's Compensation Insurance for all of CONSULTANT'S employees employed at the site of the project and, if any work is sublet, CONSULTANT shall require the subcontractor similarly to provide Worker's Compensation Insurance for all of the latter's employees unless such employees are covered by the protection afforded by the CONSULTANT. In case any class of employees engaged in hazardous work under this Agreement at the site of the project is not protected under the Worker's Compensation Statute, CONSULTANT shall provide and shall cause each subcontractor to provide insurance for the protection of said employees. This policy may not be canceled nor the coverage reduced by the company without 30 days' prior written notice of such cancellation or reduction in coverage to the City Attorney, City of Lodi, P.O. Box 3006, Lodi, CA 95241.

Section 4.7 Attorney's Fees

In the event any dispute between the parties arises under or regarding this Agreement, the prevailing party in any litigation of the dispute shall be entitled to reasonable attorney's fees from the party who does not prevail as determined by the court.

Section 4.8 Successors and Assigns

CITY and CONSULTANT each bind themselves, their partners, successors, assigns, and legal representatives to this Agreement without the written consent of the others. CONSULTANT shall not assign or transfer any interest in this Agreement without the prior written consent of CITY. Consent to any such transfer shall be at the sole discretion of CITY.

Section 4.9 Notices

Any notice required to be given by the terms of this Agreement shall be deemed to have been given when the same is personally served or sent by certified mail or express or overnight delivery, postage prepaid, addressed to the respective parties as follows:

To CITY: City of Lodi
Richard C. Prima, Jr., Public Works Director
221 West Pine Street
P.O. Box 3006
Lodi, CA 95241-1910

To CONSULTANT: MARK THOMAS & CO., INC.
Consulting Civil Engineers & Municipal Planners
7300 Folsom Boulevard, Suite 203
Sacramento, CA 95826

Section 4.10 Cooperation of CITY

CITY shall cooperate fully in a timely manner in providing relevant information that it has at its disposal.

Section 4.11 CONSULTANT is Not an Employee of CITY

It is understood that CONSULTANT, or any of its officers, agents, employees or subconsultants, are not acting hereunder in any manner as employees of CITY, but solely under this Agreement as independent contractors.

Section 4.12 Termination

CITY may terminate this Agreement by giving CONSULTANT at least ten (10) days written notice. Where phases are anticipated within the Scope of Services, at which an intermediate decision is required concerning whether to proceed further, CITY may terminate at the conclusion of any such phase. Upon termination, CONSULTANT shall be entitled to payment as set forth in the attached Exhibit A to the extent that the work has been performed. Upon termination, CONSULTANT shall immediately suspend all work on the Project and deliver any documents or work in progress to CITY. However, CITY shall assume no liability for costs, expenses or lost profits resulting from services not completed or for contracts entered into by CONSULTANT with third parties in reliance upon this Agreement.

Section 4.13 Severability

The invalidity in whole or in part of any provision of this Agreement shall not void or affect the validity of any other provision of this Agreement.

Section 4.14 Captions

The captions of the sections and subsections of this Agreement are for convenience only and shall not be deemed to be relevant in resolving any question or interpretation or intent.

Section 4.15 Integration and Modification

This Agreement represents the entire integrated Agreement between CONSULTANT and CITY; supersedes all prior negotiations, representations, or Agreements, whether written or oral, between the parties; and may be amended only by written instrument signed by CONSULTANT and CITY.

Section 4.16 Applicable Law and Venue

This Agreement shall be governed by the laws of the State of California. Venue for any court proceeding brought under this Agreement will be with the San Joaquin County Superior Court.

Section 4.17 Contract Terms Prevail

All exhibits and this Agreement are intended to be construed as a single document. Should any inconsistency occur between the specific terms of this Agreement and the attached exhibits, the terms of this Agreement shall prevail.

Section 4.18 Authority

The undersigned hereby represent and warrant that they are authorized by the parties to execute this Agreement.

Section 4.19 Ownership of Documents

All documents, photographs, reports, analyses, audits, computer tapes or cards, or other material documents or data, and working papers, whether or not in final form, which have been obtained or prepared for this project, shall be deemed the property of CITY. Upon CITY's request, CONSULTANT shall allow CITY to inspect all such documents during regular business hours. Upon termination or completion, all information collected, work product and documents shall be delivered by CONSULTANT to CITY within ten (10) days.

CITY agrees to indemnify, defend and hold CONSULTANT harmless from any liability resulting from CITY's use of such documents for any purpose other than the purpose for which they were prepared.

IN WITNESS WHEREOF, CITY and CONSULTANT have executed this Agreement as of the date first above written.

CITY OF LODI, a municipal corporation

ATTEST:

By _____
RANDI JOHL
CITY CLERK

By _____
BLAIR KING
CITY MANAGER

APPROVED AS TO FORM:

Dated: _____

MARK THOMAS & CO., INC.

By _____
D. STEPHEN SCHWABAUER
CITY ATTORNEY

By: _____
Its: _____

Work Plan

Scope of Work

COMBINED PROJECT STUDY REPORT/PROJECT REPORT

Task 1 – Project Administration and Management

- 1.1 General Management and Coordination
- 1.2 Project Development Team (PDT) Meetings
- 1.3 Information Gathering

Task 2 – Project Study Report/Technical Studies

- 2.1 Base Mapping
- 2.2 Traffic Modeling and Analysis
- 2.3 Geometric Drawings/Construction Staging
- 2.4 Geotechnical Review/Hazardous Waste Initial Site Assessment
- 2.5 Quantity/Cost Estimates
- 2.6 Right of Way Data Sheets
- 2.7 Advance Planning Studies
- 2.8 Value Engineering Allowance
- 2.9 Storm Water Data Report
- 2.10 Project Study Report/Project Report

Task 3 – Environmental Document

- 3.1 Environmental Technical Studies
- 3.2 Initial Study/Mitigated Negative Declaration

Task 4 – Public Outreach

- 4.1 Confirm Stakeholders
- 4.2 Conduct Public Meeting/Workshop
- 4.3 Public Outreach Miscellaneous

Scope of Work

1.0 Project Administration and Management

1.1 General Management and Coordination – This task will include general project management, including coordination with the subconsultants and the City, preparation of monthly progress reports, maintaining the project submittal register, and CPM scheduling and updates. MTCo will also maintain project files in this phase.

As in most multi-disciplinary projects, there will be a number of team members involved in the project study report. This project management task will also include coordination of team members from various disciplines.

Work Plan

Meetings between property owners and utility companies are more useful if held on separate occasions and in smaller groups. These will be conducted on an as needed basis. These meetings are included in other tasks.

1.2 Project Development Team (PDT) Meetings – MTCO management approach includes PDT Meetings with the City of Lodi, Caltrans, SJCOC, and affected agencies (i.e. San Joaquin County). In addition, we sometimes include selected representatives from development interests, particularly when we are developing project phasing triggers and/or funding mechanisms.

The first step following notice-to-proceed is to arrange a Kick-off meeting with the City of Lodi, San Joaquin County, the Consultant team, Caltrans Special Funded Projects and Environmental Branch, Traffic Operations and Planning, and any other personnel and/or development interests as appropriate. The purpose of the meeting will be to identify the precise format, scope, and content that Caltrans, City, County, and stakeholders want for the technical studies, project study report, and supplemental project information.

Fehr & Peers will attend up to five PDT meetings to discuss alternatives with the City of Lodi, Caltrans and Mark Thomas. Additional meetings will be attended on a time and materials basis on our latest billing rate schedule.

BCI will attend up to two PDT meetings to discuss proposed alternatives and hazardous materials issues with the City of Lodi, Caltrans and MTCO. BCI's geotechnical project manager and environmental senior project manager will attend the meetings.

J&S will attend up to five (5) PDT meetings to discuss alternatives/environmental studies with the City of Lodi, Caltrans and MTCO.

Buethel will attend up to three (3) PDT meetings to discuss outreach data base, mailer content and format, and public meeting locations and format.

MTCO will take the lead in PDT meetings. This work includes preparation of meeting agenda in consultation with City's Project Manager, distribution of approved meeting agenda, arrangement of attendance of meeting participants, and preparation and distribution of meeting minutes, including recap of actions to be taken prior to the next meeting. This scope assumes a total of 15 PDT including 1 PDT field meeting.

1.3 Information Gathering – MTCO will identify and assemble existing data useful in analyzing impacts of the project. These information sources include City, County and Caltrans As-built and Right of Way information, other environmental studies conducted by the City, County or its consultants, as well as potential project impacts identified by the City, County and other sources.

Also as part of this task, MTCO will obtain encroachment permits for site surveys and field investigation, as required from Caltrans, the City, and County.

Work Plan

Task 1 Deliverables –

- PDT Meeting Agendas & Meeting Minutes 15 meetings
- Schedule Updates at the PDT Meetings 15 Updates

2.0 Project Study Report/Technical Studies

The general intent of this task is to develop geometrics and project design in sufficient detail so that the project scope is clearly defined, project costs are estimated, and potential environmental impacts can be evaluated. To the extent possible, any required design activities are intended to be of sufficient detail for use in the future PS&E phase of the project.

2.1 Base Mapping – Base mapping will consist of report exhibits with digital Photogrammetric background, preliminary right of way lines, APN designations, and utility mapping provided by utility companies and the City. The Photogrammetric mapping will be sufficient detail to be used in the PS&E phase (construction documents).

2.1.1 Acquire record mapping and associated documentation

MTCO will research record mapping and as-built documents at Caltrans, the City and the County. In particular, MTCO will review available record of surveys, parcel maps, and final maps (subdivisions). MTCO will prepare base maps showing compiled/reconciled record information for property lines including existing roadway control lines.

2.1.2 Photogrammetric Mapping

Radman Aerial Surveys (RAS) will prepare digital photogrammetric mapping at a scale of 1"=50' with 1 foot contours. MTCO will set aerial photo panels, identify the panel locations using GPS surveys, make survey net adjustments, and provide the information to RAS to prepare the mapping. The mapping will conform to Caltran's ABC process.

2.1.3 Supplemental Field Topography

MTCO will perform a minimal amount of supplemental field surveys to identify and locate major features. Roadway cross sections will be performed at key locations. MTCO will also survey surface visible evidence of underground utilities, driveways, and other critical features necessary for design. This scope assumes a total of eight (8) days for topographic surveys.

2.1.4 Utility Mapping

This sub-task consists of compiling existing utility mapping and doing verification with utility providers. This task also will allow identification of preliminary conflicts for budgeting and scheduling purposes, in support of the Project Study Report Right of Way estimates. The following procedure is proposed:

- Compile mapping on base plans using utility company system mapping, as-built information, and visible and surveyed locations of surface utility facilities.
- Prepare utility coordination cover letter for utility companies. After review and approval by City staff, send plans and cover letter to Utilities for their confirmation and/or location of facilities.
- Revise utility mapping per utility comments.

Return corrected utility mapping to utilities "for information only".

2.2 Traffic Modeling and Analysis – This scope of work includes the tasks necessary to prepare the traffic report for the proposed State Route 99/Harney Lane Interchange combined PSR/PR. The following scope of work for this project has been developed based on our knowledge of the study area and our experiences on similar projects. The five main intersections which will be included in the PSR traffic analysis are at the following locations:

- State Route 99 northbound ramps/N CA-99 Frontage Road;
- N CA-99 Frontage Road/Harney Lane;
- State Route 99 southbound ramps/S. Cherokee Lane;
- Harney Lane/S. Cherokee Lane;
- Harney Lane/Panzani Way;
- Harney Lane/Business Park Drive/Beckman Road (south); and
- Harney Lane/Beckman Road (north).

2.2.1 Data Collection

Fehr & Peers (F&P) will collect available data for use in the analysis of existing (2006), construction year, and design year conditions. Data requirements for the study area are listed below.

- Existing and planned roadway geometrics and traffic controls
- Existing AM and PM peak hour traffic counts at study intersections
- Existing AM and PM peak hour heavy vehicle (truck) percentage for State Route 99 and Harney Lane
- Existing accident data for past three years.
- Existing and planned park-and-ride lots near the interchange
- Location of existing and planned bicycle and pedestrian facilities near the interchange

2.2.2 Existing Conditions Analysis

For the existing conditions analysis, F&P will analyze the study locations listed below according to the analysis procedures contained in the *Highway Capacity Manual (HCM)*, (Transportation Research Board, 2000).

Intersections

1. State Route 99 northbound ramps/N CA-99 Frontage Road;
2. N CA-99 Frontage Road/Harney Lane;
3. State Route 99 southbound ramps/S. Cherokee Lane;
4. Harney Lane/S. Cherokee Lane;
5. Harney Lane/Panzani Way;
6. Harney Lane/Business Park Drive/Beckman Road (south); and
7. Harney Lane/Beckman Road (north).

Freeway Ramp Junctions

8. State Route 99 NB Off-Ramp to Harney Lane
9. State Route 99 NB ON-Ramp from Harney Lane
10. State Route 99 SB Off-Ramp to Harney Lane
11. State Route 99 SB On-Ramp from Harney Lane
12. State Route 99 NB Off-Ramp to Kettleman Lane*
13. State Route 99 SB On-Ramp from Kettleman Lane*
14. State Route 99 NB On-Ramp from Armstrong Road
15. State Route 99 SB Off-Ramp to Armstrong Road

* = assumed to be available from State Route 99/Kettleman Lane PSR

For the intersection analysis, we will use the Synchro analysis software. Peak hour factors will be based on the traffic counts. The ramp junction analysis will be conducted using HCS. The analysis results will contain AM and PM peak hour levels of service and their associated performance measures.

Deliverable

A technical memorandum will be prepared that summarizes the analysis methodology and key assumptions. The technical memorandum will be submitted two weeks after receiving authorization to proceed.

2.2.3 Travel Demand Forecasts

F&P proposes to use the new City of Lodi travel demand model to develop traffic volume forecasts for the design year. As part of the State Route 99/Kettleman Lane PSR, this model will be validated in the study area and modified to include the latest 2030 SJCOG land use forecasts. The only additional effort for this project is to review and modify the traffic analysis zone (TAZ) system and roadway network for “no project” and “with project” scenarios for base year and future design year conditions to accurately reflect existing and planned land use and roadway network conditions in the study area.

Since this analysis is being prepared for both PA and ED purposes, the PDT will need to agree on the design year network. For CEQA and NEPA purposes, future roadway improvements that are not fully funded cannot be included in the design year network. This scope of work assumes that only one design year network will be developed that meets the CEQA and NEPA requirements.

The construction year for the project has not yet been determined. As a result, the procedure to forecast traffic volumes for construction year and design year may use straight-line interpolation/extrapolation between the base and future year model forecasts.

The model will be used to generate AM and PM peak hour traffic forecasts for the study locations listed in Task 2 under base year and future design year conditions. The base year conditions run will be used to develop a traffic volume forecasting adjustment procedure to correct for any model errors found in the base year model due to differences in model volumes and traffic counts.

Deliverable

A technical memorandum will be prepared that presents the sub-area validation results and draft traffic forecasts. The memorandum will be submitted within six weeks of completing Task 2.2.2.

2.2.4 Operations Analysis

The traffic operations analysis will include the following scenarios.

- Construction year no project conditions
- Construction year with project alternative 1 conditions
- Construction year with project alternative 2 conditions
- Construction year with project alternative 3 conditions
- Design year no project conditions
- Design year with project alternative 1 conditions
- Design year with project alternative 2 conditions
- Design year with project alternative 3 conditions

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The analysis results for all scenarios will contain AM and PM levels of service and their corresponding performance measure. For the project scenarios, up to two additional ramp junctions will be analyzed depending on the interchange design.

All technical calculations will be independently reviewed by a Fehr & Peers QA/QC engineer not assigned to the project.

2.2.5 Traffic Report Documentation

F&P will prepare a traffic report to be included in the PSR. A draft version of the traffic report will be submitted for review by the project development team (PDT). Up to 12 hours of professional time has been budgeted to respond to comments on the draft report. A final version of the traffic report will be prepared in electronic and hard copy format that incorporates the review comments.

Deliverable

A draft traffic report will be prepared summarizing the analysis results. The memorandum will be submitted six weeks after the traffic volume forecasts have been approved.

2.3 Geometric Drawings/Construction Staging – Based on review of preliminary traffic volumes provided in Task 2.2, MTCO will prepare geometric drawings for the interchange alternatives. The interchange geometrics will be further developed with traffic operations data, with basic controlling geometric features shown. A total of three (3) interchange alternatives will be prepared.

The Geometric Drawings will be prepared at a scale of 1=50' scale, will show mainline and interchange alignment, lane and shoulder widths, cut/fill lines, right of way requirements, ramp metering layout with enforcement areas, intersection details, etc. Ramp profiles will be shown for realigned ramps.

This geometric development task also will include an evaluation of construction staging and traffic handling. A preliminary evaluation will be made for higher-cost traffic control items (i.e. changeable message signs, K-rail, etc), so that they can be included in the Project Study Report cost estimates.

2.4 Geological Review/Hazardous Waste Initial Site Assessment – Blackburn Consulting, Inc. (BCI) will prepare a preliminary geological review, plus prepare a hazardous waste initial site assessment for the subject improvements. Their work activities are described as follows:

2.4.1 Preliminary Geotechnical/Geologic Memorandum

Conduct Site Visit/Review Previous Reports – BCI will discuss the project, issues and schedule with MTCO. We will review the As-Built LOTB, Foundation Report, Geotechnical Design Report and other documents related to the existing bridges as provided by MTCO. To evaluate site geology and seismic conditions, BCI will review our in-house local and regional geologic and seismic hazards maps pertaining to the site. BCI will

Work Plan

conduct a site geologic reconnaissance of the project and immediate vicinity.

Prepare Geotechnical/Geologic Memorandum – BCI will prepare a Preliminary Geotechnical/Geologic Memorandum for the project including the following: project description; summary of site geology and subsurface conditions; as-built LOTB for the existing bridges; preliminary seismic data and evaluation, and a discussion of potential geotechnical/geologic issues for design. The memorandum will address preliminary foundation alternatives, liquefaction potential, embankment settlement, cut/fill slope stability, and constructability issues.

BCI will submit the memorandum to MTCO for distribution to the project design and review team.

2.4.2 Initial Site Assessment Report (ISA)

The overall purpose of the ISA is to identify significant soil/groundwater contamination issues that could affect the constructability, feasibility, and/or cost of the proposed interchange project. The ISA findings will be integrated with other finding of the PSR to assess the best configuration for the proposed improvements. We will complete the following scope items for the ISA. If we find the potential for significant contamination, additional investigation may be required.

Coordination and Review - The project team will provide BCI with the proposed improvement boundaries. BCI will review work we have completed in the project vicinity and review readily available and applicable reports prepared by other consultants.

BCI will conduct a limited site visit to observe current land use and potential indications of contamination, on or adjacent, to the project limits.

Historical Research - BCI will review historical aerial photographic coverage, topographic and Sandborn map coverage of the project area and surrounding properties. BCI will also review a commercial database including federal, state, and county records for indications of the use, misuse, or storage of hazardous and/or potentially hazardous materials on, or near, the site.

BCI's historical research will attempt to identify past and present operations conducted on the properties to assess the potential for hazardous materials impacts to the site.

Report Preparation - BCI will prepare a draft report summarizing the findings of our review, site reconnaissance, historical evaluation, and regulatory records review. We will address identified potential contamination/hazardous materials impacts and provide recommendations for further investigation and analysis if necessary. BCI will submit the Draft ISA to MTCO for distribution to the project design and review team. Once we receive draft report comments, we will finalize the ISA incorporating the review comments.

If this ISA identifies potential contamination/hazardous materials impact to soil and/or groundwater within the

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project limits, it may be necessary to investigate these locations and confirm or characterize potential contamination. If this case, BCI can develop additional scope to provide these services. The scope of the site characterization will depend on the potential contamination type, location, and potential impacts.

2.5 Quantity/Cost Estimates – MTCO will prepare a preliminary construction cost estimate using the Caltrans standard 6-page estimate format, up to three alternatives. The costs estimate will be developed using the most current cost data from current local projects. MTCO will also provide the City with project development costs including preparing environmental document, project report, PS&E, construction management, , and construction surveys

2.6 Right of Way Data Sheets – Concurrent with the cost estimate task, MTCO will prepare the Caltrans Right of Way Data Sheets. The Right of Way Data Sheets and supporting documents will be prepared in Caltrans format and will include

- Review Impacts on properties (e.g., full take or partial take)
- Data collection and analysis
- Estimate costs of alternatives, including acquisition, relocation, and demolition costs

Utility relocation costs also must be evaluated in the Right of Way estimate.

Although the firm has not been identified in this scope of work, MTCO will retain a right of way appraiser to provide guidance as to the approximate costs of right of way acquisitions within the project area. MTCO will include this information on the Right of Way Data Sheets to include within the PSR. Official proposals will not be provided with this work.

2.7 Advance Planning Studies – Concurrent with geometric development, an Advance Planning Study (APS) will be prepared for any proposed improvements to the State Route 99/Kettlemand Lane Overcrossing. Essentially, the APS is a preliminary plan for Caltrans review, which documents structure type, layout, and preliminary cost. Any retaining walls required at the abutments would also be shown in an APS. This scope assumes a total of three APSs will be prepared. The APS will be prepared in draft and final versions for Division of Structure review.

2.8 Value Engineering Allowance – Once costs estimates are prepared for the preliminary work effort, there may a need to review potential cost savings measures. Phased implementation of improvements could be one example. We also expect Caltrans reviewers to comment on existing facilities; it may be desirable to upgrade selected features. MTCO will evaluate these areas on a case by case basis, as well as reviewing opportunities for cost savings where possible. This item of work is intended as a nominal amount for investigation of possible areas of cost savings.

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2.9 Storm Water Data Report – MTCO will prepare the Storm Water Data Report (SWDR) in accordance with the *Caltrans Storm Water Project Planning and Design Guide*. This report summarizes how storm water is handled during and after construction. The SWDR will be reviewed by Caltrans. MTCO will incorporate appropriate comments into the final report and will provide written response to all comments. The final report will be submitted to Caltrans for signature.

2.10 Combined Project Study Report/Project Report – MTCO will prepare an Administrative Draft PSR/PR, Draft PSR/PR and Final PSR/PR for distribution, review and approval (by the City, County, Caltrans, and subconsultants). The PSR/PR will be prepared to Caltrans Project Development Procedures Manual, latest edition.

As part of the PSR/PR process, MTCO will review Design Information Bulletin No. 78 for all mandatory and advisory design standards. We will then prepare Fact Sheets to document any feature that does not meet current standard.

Task 2 Deliverables –

- | | |
|---|--|
| ➤ Caltrans Encroachment Permit Application | |
| ➤ Aerial Photogrammetric Mapping | <ul style="list-style-type: none"> Aerial control diagram (2 copies) GPS report (2 copies) Aerotriangulation report (2 copies) Contacts prints/index sheet (one copy) Diapositives (1 set) Digital mapping (CADD File) |
| ➤ Traffic Analysis Report, Draft and Final | 4 copies each (City, County, and Caltrans) |
| ➤ Geometric Approval Drawings, 3 alternatives | 4 copies each (City, County, and Caltrans) |
| ➤ Initial Site Assessment, Draft and Final | 4 copies each (City, County, and Caltrans) |
| ➤ Preliminary Construction Cost Estimate | 2 copies (City, County, and Caltrans) |
| ➤ Storm Water Data Report | 4 copies (City, County, and Caltrans) |
| ➤ PSR/PR - Admin. Draft and Draft | 10 copies and 1 electronic copy each (City) |
| | 10 copies and 1 elect copy each (County) |
| | 35 copies and 1 electronic copy each (Caltrans) |
| ➤ PSR/PR - Final | 5 copies (Bound), 1 copy (Unbound) and 1 electronic copy (City and County) |
| | 35 copies (Bound), 1 copy (Unbound) and 1 electronic copy (Caltrans) |
| ➤ Fact Sheets for Design Exception, 2 total | 2 copies each (City, County, and Caltrans) |

Task 3 – Environmental Document

The proposed improvements constitute a project under the California Environmental Quality Act (CEQA). Because the City may seek federal funding (STIP funding) for the project, it would also be subject to the National Environmental Policy Act (NEPA).

Jones & Stokes scope of work and cost estimate includes preparation of an Initial Study/Mitigated Negative Declaration (IS/MND) to comply with CEQA and a Categorical Exclusion (CE) supported by technical studies to comply with NEPA. Jones & Stokes scope of work assumes that the City of Lodi will be the CEQA Lead Agency for this project and Caltrans will provide oversight of the environmental studies. Jones & Stokes has assumed that the project is appropriate for a MND based on an assumption that project will have some environmental impact, but that impacts can be mitigated to a less-than-significant level. FHWA and Caltrans, as delegated under SAFTEA-LU, will ultimately make the decision as to the type of NEPA document required for this project. Changes in the project understanding could require additional scope and effort.

3.0 Prepare Project Description

Jones & Stokes will work with Mark Thomas & Company and the City of Lodi to prepare a detailed project description identifying the purpose and need for the project, a description of all the project components and the work to be performed, construction equipment that may be used, the timing of construction, and the geographical limits of construction activities. Jones & Stokes will prepare a written draft project description and submit it to Mark Thomas & Company and the City of Lodi for review and comment.

- Deliverable: Project description
- Schedule: 4 weeks following receipt of project plans

3.1 Environmental Technical Studies - Technical studies will be prepared according to the guidance in Caltrans Standard Environmental Reference (SER) website. Ultimately, Caltrans must approve which technical studies will be prepared. For the purposes of this proposed scope, we assume preparation of the following studies:

- 3.1.1 Air Quality Impact Assessment
- 3.1.2 Biological Resources (Natural Environment Study – Minimal Impact, including water quality)
- 3.1.3 Cultural Resources (Historic Property Survey Report and Archaeological Survey Report)
- 3.1.4 Noise Study Report

These studies will be based on the project description approved by the PDT. If Caltrans' review of the PEAR results in the need to prepare additional separate technical studies, the additional scope and fee for this work

would be accommodated through a budget augmentation.

The Project Development Team (PDT) will review each technical study. All technical studies are subject to approval by FHWA or Caltrans as delegated under SAFTEA-LU prior to circulation of the environmental document. Jones & Stokes will revise the administrative drafts of the technical studies once in response to comment from the PDT and once in response to comments from FHWA or Caltrans as delegated. Additional rounds of review and revision will be accommodated on a time-and-materials basis.

3.1.1 Air Quality

Jones & Stokes will prepare a Caltrans Air Quality Technical Report for proposed improvements to the SR 99/Harney Road interchange. The air quality technical analysis will be consistent with all applicable procedures and requirements of the San Joaquin Valley Air Pollution Control District (SJVAPCD) and Caltrans. In both the technical report and IS air quality chapter, we will discuss existing environmental and regulatory air quality conditions, and then analyze the project's construction and operational impacts.

Jones & Stokes will summarize existing air quality conditions using data developed by the California Air Resources Board (CARB) and the SJVAPCD. We will then explain how those conditions are affected by local climate and topography. We will summarize the existing federal, state, and local air quality regulatory environment as it affects the proposed project. We will also describe the location of sensitive receptors in the project vicinity.

Jones & Stokes will use the SJVAPCD's CEQA Air Quality Handbook to evaluate the impacts of the proposed project. Those guidelines address both construction and operational emissions.

Jones & Stokes will estimate construction emissions using procedures recommended by the SJVAPCD. We will compare those emissions to the significance thresholds established by the SJVAPCD and, if necessary, specific mitigation measures to reduce any significant impacts.

The proposed interchange improvements would not generate new vehicle trips. However, some traffic currently using other area roadways may be enticed to use the improved roads. We assume that the traffic study prepared for this project will include the information needed to estimate project-related changes in traffic trips and associated emissions. That traffic data will be combined with output from CARB's EMFAC2007 air quality model to estimate changes in ozone precursor and particulate emissions in the project vicinity.

The proposed road improvements would affect traffic volumes and levels of service in the project vicinity. We will conduct a carbon monoxide (CO) hot spot analysis using peak traffic-hour volumes and levels of service at key intersections in the project vicinity. CO concentrations will be estimated for sensitive receptors located near congested intersections. We will estimate CO concentrations at as many as three intersections for each project alternative. We will use the CALINE4 model to conduct the CO hot spot analysis.

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Jones & Stokes will work with the San Joaquin Council of Governments (SJCOG) to ensure that the proposed project is included in the most recent regional transportation plan. This evaluation will ensure that the project's ozone precursor emissions have been included in the SJCOG's most recent air quality plans. In addition, the transportation conformity analysis must show that the project does not cause or contribute to one or more carbon monoxide violations. The evaluation of CO violations will be addressed in the CO modeling analysis. Since the San Joaquin Valley is classified as a nonattainment area for particulate matter (PM10 and PM2.5), we will also conduct a PM10/PM2.5 conformity analysis using U.S. Environmental Protection Agency (EPA)/Federal Highway Administration (FHWA) guidance. Finally, we will evaluate the project's potential to generate substantial levels of mobile source air toxics (MSATs). We will use FHWA's MSAT guidance to conduct this evaluation. Jones & Stokes will work with the City of Lodi, Caltrans, and the SJVAPCD to identify feasible mitigation measures.

- Deliverable: 5 copies each of the draft and final air quality report
- Schedule for first admin draft: 12 weeks following initiation of technical studies, and receipt of traffic data

3.1.2 Biology

A Jones & Stokes wildlife biologist and botanist/wetlands ecologist will prepare an NES report for wildlife, botanical, and wetland resources based on Caltrans' published guidance. Our biologists will conduct a one day reconnaissance of the study area for biological resources. It is assumed that only one survey of the project site will be necessary to identify the potential for sensitive plants, and that no special-status plants will be found.

We will prepare an NES report pursuant to Caltrans guidance that will describe the proposed action, study methodology, environmental setting, and important biological resources in the project area, discuss relevant state and federal laws for biological and water resources, and identify potential project impacts. Correspondence with the USFWS, species lists, and results of a search of California Natural Diversity Database will be included as appendices.

Our scope assumes that given the disturbed nature of the setting, the proposed improvements will either not have significant impacts on any biological resources or will be designed in such a way that significant impacts on any biological resources will be avoided or mitigated through compliance with the measures in the San Joaquin County Multi-Species Habitat Conservation and Open Space Plan (SJMSCP). Our scope further assumes that focused or protocol-level surveys will not be conducted and that preparation of a biological assessment under Section 7 will not be required for this project, and that preparation of an NES for minimal impacts will be sufficient to meet Caltrans' requirements for the documenting effects on biological resources. If it is later identified that protocol-level surveys and/or a biological assessment is necessary, Jones & Stokes is qualified to conduct such technical studies and can prepare a scope of work and budget augmentation.

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J&S will also conduct a jurisdictional delineation in accordance with the 1987 Corps of Engineers Wetlands Delineation Manual to determine the areas subject to regulation by the U.S. Army Corps of Engineers (Corps). Based on information provided by Mark Thomas & company and review of recent aerial photographs of the project area, it appears potential jurisdictional features are limited to roadside ditches that are not likely to be subject to Corps regulation. Jones & Stokes will prepare a letter to the Corps describing the methods used, the results of the wetland delineation, and a discussion of the jurisdictional status of the ditch and any other wetlands or waters in the project area based on the Corps' regulations and other relevant guidance. The letter will request the Corps provide verification of the delineation and also provide a jurisdictional determination for the ditch and any other wetlands or waters in the project area. Our budget includes one site visit with the Corps, if necessary, and a maximum of five hours for coordination with the Corps.

We do not expect the Corps will regulate any wetlands or other waters in the project area and thus regulatory permitting from the Corps, Regional Water Quality Control Board (RWQCB), and California Department of Fish and Game (CDFG) is not included in this scope of work.

- Deliverable: 5 copies each of the draft and final NES report and appendices
- Schedule for first admin draft: 12 weeks following initiation of technical studies

3.1.3 Cultural Resources

The cultural resources studies will meet the requirements of the NEPA, CEQA, Section 106 of the National Historic Preservation Act, and the 2004 Programmatic Agreement Among the Federal Highway Administration, the California State Historic Preservation Officer, and the California Department of Transportation Regarding Compliance with Section 106 of the National Historic Preservation Act, as it pertains to the Administration of the Federal-Aid Highway Program in California.

J&S will conduct a records search, contact Native Americans and local historical organizations, and conduct field studies to prepare a Historic Property Survey Report (HPSR) and an Archaeological Survey Report (ASR). J&S will assist with preparation of the Area of Potential Effects (APE) map. J&S will conduct archival and literature research and archaeological and architectural field studies to prepare the HPSR and ASR.

The following tasks will be undertaken:

- A records search of the APE to include a mile radius will be conducted at the Central California Information Center (CCIC) of the California Historical Resources Information System. The CCIC is an affiliate of the State of California Office of Historic Preservation and is the official state repository of cultural resource reports and records for San Joaquin County. A literature review, as necessary, of archaeological, ethnographic, and historical publications and maps at historical archives and J&S will be conducted.

Work Plan

- The records search and literature review will: (1) identify previously recorded cultural resources and previous cultural resource studies of or adjacent to the APE; (2) assess the likelihood of unrecorded cultural resources based on (a) archaeological, ethnographic, and historical information, and (b) the distribution of nearby cultural resources in relation to their environmental settings; and (3) obtain information for the cultural settings portions of the reports.
- A review of cultural resource inventories to identify cultural resources that may be listed within or adjacent to the APE. Relevant listings are the California Inventory of Historic Resources, Five Views: An Ethnic Sites Survey for California, California Historical Landmarks, California Points of Historical Interest, and The Directory of Properties in the Historic Property Data File which contains the listings of the National Register of Historic Places, California Register of Historical Resources, California Historical Landmarks, and California Points of Historical Interest.
- San Joaquin County historic resource inventories will be reviewed.
- Contacting the Native American Heritage Commission in Sacramento for (1) a review of the sacred lands file to determine if the APE contains any listed sites, and (2) a list of Native American contacts who may have concerns about the APE. Local Native Americans on that list will be contacted by letter and/or telephone to inquire about any concerns or information they may have.
- Contacting the San Joaquin County Historical Society and the Haggin Museum for any information or concerns they may have about the APE.
- Conduct archaeological resources field surveys of the APE.

The scope of work for cultural resources technical studies is based on the following assumptions:

- If cultural resources are identified as a result of field work, archival research, or by other means, a scope and budget adjustment will be necessary to document, analyze, and report on such resources.
- Any reports or documents other than the HPSR, ASR, and HRER will require a budget augment.
- The City of Lodi will make all access arrangements and notifications to landlords and residents as necessary to access the APE.
- Jones & Stokes will prepare an HPSR, and HRER, and an ASR
- No archaeological resources will be identified
- No archaeological excavation or testing will be conducted
- A maximum of three buildings will require evaluation for National Register eligibility
- No properties eligible for the National Register will be identified in the APE.
- The APE map will be signed after no more than two rounds of review.

Deliverables:

- Draft HPSR, HRER, and ASR – 5 copies
- Final HPSR, HRER, and ASR – 5 copies
- Schedule for first admin draft: 12 weeks following initiation of technical studies

3.1.4 Noise Study Report

Jones & Stokes will prepare a noise study report (NSR) evaluating the noise impacts and potential noise abatement measures associated with the no build alternative and one build alternatives. Because federal funding and Caltrans oversight is involved, the noise study must be prepared in accordance with procedures specified by FHWA in Title 23, Section 772 of the Code of Federal Regulations (CFR) (23 CFR 772) and the Caltrans Traffic Noise Analysis Protocol (Protocol).

The NSR will be prepared to address the requirements of 23CFR772 in accordance with the Protocol. The report will provide information that can be used for the noise impact assessment but will not specifically address CEQA/NEPA impacts. These impacts will be addressed in the environmental document for the project based on significance determinations made by the PDT. The field investigation, noise impact modeling, and report preparation will be prepared in accordance with the Caltrans Traffic Noise Analysis Protocol (Protocol).

It is assumed that future proposed noise sensitive land uses will not be “planned, designed, and programmed” (as defined in the Protocol) prior to the approval of the environmental document. As such assessment of potential noise impacts at these proposed land uses is not assumed to be required.

Jones & Stokes will conduct a field noise study to quantify and assess existing noise conditions at the noise-sensitive areas in the project area. Sound-level data will be collected over a 10- to 15-minute period at selected times throughout the day. In addition, continuous 24-hour noise monitoring will be conducted at one location in the study area if a secure location can be found. This scope of work assumes that all necessary field investigations can be conducted by two Jones & Stokes staff persons in 1 day.

Jones & Stokes will conduct traffic noise modeling related to the proposed project using the FHWA Traffic Noise Model (TNM) Version 2.5 and traffic data provided by project engineers. TNM will be used to assess worst noise hour noise conditions at selected receiver locations under the following conditions:

- Existing,
- Design year under no project conditions, and
- Design year under one alternative.

Traffic noise impacts of proposed project will be assessed by determining if implementation of the project is projected to result in traffic noise impacts as defined in the Protocol. If traffic noise impacts are projected to

Work Plan

occur, information on the feasibility noise abatement and noise abatement allowances as defined in the Protocol will be evaluated and presented in the report. Construction noise impacts will be evaluated using methods recommended by the U.S. Department of Transportation.

Jones & Stokes will prepare the noise chapter of the environmental document. The noise analysis described above will be used to address impacts under NEPA. To evaluate impacts under CEQA a supplemental analysis will be conducted to evaluate noise modeling results relative to City of Lodi noise standards (i.e. using the day-night noise level Ldn). CEQA standards for significance will be identified based on city noise standards. Where significant impacts are identified mitigation measures to reduce noise to a less-than-significant level where feasible will be identified.

- Deliverable: 5 copies each of the draft and final noise study.
- Schedule for first admin draft noise study report: 12 weeks following initiation of technical studies and receipt of traffic data and required mapping.

3.1.5 Water Quality Report

If required by Caltrans, WRECO will prepare a Water Quality Report to provide the existing physical and regulatory environment information for the water quality section of the Project Report and Environmental Document. WRECO will perform the following:

- Identify and describe the current and upcoming laws that relate to water quality.
- Provide a summary of field surveys and background document review.
- Describe the land use, geography, and topography of the project area.
- Describe the beneficial uses for all potentially effected waters.
- Discuss water quality objectives for all potentially effected waters.
- Collect and present any monitoring data from other agencies.
- List potential sources of pollutants.
- Describe the watershed, and existing drainage and hydrologic conditions.

WRECO will evaluate the water quality impacts for the proposed project and recommend possible mitigation measures to reduce the adverse impacts to water quality. WRECO will prepare a draft Water Quality Report, respond to comments to the draft report, update the project information, and prepare a final Water Quality Report.

Deliverables:

- Draft Water Quality Report – 5 copies
- Final Water Quality Report – 5 copies

3.1.6 Location Hydraulic Report/Floodplain Evaluation Report

WRECO will conduct a Location Hydraulic Study and prepare a Floodplain Encroachment Summary Report in accordance with Caltrans guidelines and requirements. The Floodplain Encroachment Summary Report will evaluate potential changes in floodplain hydrology and hydraulics due to the new or additional cross drainage structures and the proposed or roadway embankments necessary for the project. WRECO will identify significant project impacts to the floodplains and make general recommendations for possible mitigation measures. The characteristics associated with the watershed, local hydrologic conditions, etc. will be documented for the study.

The Location Hydraulic Study will summarize the risks associated with the project, the impacts on natural and beneficial floodplain values, the support for incompatible development in the base floodplain caused by the project, and measures to minimize floodplain impacts and restore and preserve the natural and beneficial floodplain values. The Summary Floodplain Encroachment Report requires response to six (6) questions regarding potential effects of the project as described in the applicable hydraulic study. Responses to these questions indicating no impacts eliminate the need for any further floodplain study. Positive responses to the questions may trigger additional analysis to assess the potential effects of the project on downstream or upstream conditions.

Deliverables:

- Draft Location Hydraulic Report/Floodplain Evaluation Report – 5 copies
- Final Location Hydraulic Report/Floodplain Evaluation Report – 5 copies

3.1.7 Phase II Hazardous Materials Report

Blackburn Consulting has not yet completed the Initial Site Assessment (ISA) for the SR 99/Harney Road Interchange Improvement project, however, we anticipate issues will be similar to other nearby projects and may include: service stations, pesticides, tear down of structures, and aerially deposited lead. To provide a general understanding of potential Phase II hazardous material issues and associated added scopes and fees, we present the following representative examples.

3.1.7.1 Phase II Investigation for Service Stations

Property acquisition for service stations present two distinctly different sets of concerns depending on whether acquisition includes the entire parcel or just a small portion.

Partial Acquisition

We anticipate the following tasks, beyond the ISA, for a service station where interchange improvements will only “take” a small portion of the parcel,

- *Regulatory File Review* – Commonly the ISA recommends a more detailed regulatory file review to determine the extent and location of known contamination, the magnitude and type of contaminants, results of recent monitoring (if applicable), and status of investigation/remediation. This information is used by the City to assess the potential impact to the project (i.e. liability, construction impact and worker/public safety). Depending upon the completeness of the findings, it may still be necessary to perform a subsurface investigation including sample collection and analyses.

Further, if the findings conclude that ongoing investigation/remediation could affect the planned interchange improvements, it may be necessary to meet with the involved parties and discuss how best to meet the environmental clean-up goals and still complete the project. At a minimum, this meeting should include the City, the designer, the lead regulatory agency, the site owner (responsible party), and the consultant. This will allow all perspectives to be heard so that a mutually agreeable plan can be developed.

- *Subsurface Investigation and Sample Collection* – If the regulatory records review is inconclusive regarding the potential for impacted soil/groundwater in the “take” area, further investigation to assess potential impacts may be needed.

We present the following typical drilling program within the “take” area.

- Obtain Caltrans and City of Lodi concurrence on the workplan.
- Obtain the necessary drilling permits and mark the site for Underground Service Alert.
- Drill, sample, and log three (3) to five (5) borings to maximum depths of 15 feet. Groundwater sampling is not included. Borings will be backfilled in accordance with permit requirements. Contaminated cuttings will be barreled and left on-site.
- Cuttings and samples will be screened in the field using visual observation as well as odor and readings from a Photo Ionization Detector (PID).
- A minimum of three (3) relatively undisturbed samples will be collected from each boring for

Work Plan

possible laboratory analyses. Depending upon the conditions observed, samples may be analyzed for Total Petroleum Hydrocarbons (TPH), Volatile Hydrocarbons (specifically, benzene, toluene, ethyl benzene, and total xylenes, BTEX), fuel oxygenates, and heavy metals. The decision of which analysis to run will be dictated by the potential contaminants. For the purposes of this proposal we estimate 9 samples will be analyzed for TPH & BTEX, 3 for oxygenates, and 2 for LUFT metals.

Based on results of the sampling and analyses, we will provide recommendations for additional, more definitive work, if necessary. If contamination is encountered, BCI will provide recommendations, which may include additional sampling and analysis to further define the extent of soil and/or groundwater contamination, or recommendations for managing impacted soil and/or groundwater during construction.

Complete Parcel Acquisition

If the project requires acquisition of a complete service station site the City's concerns are more significant since they will become the property owner and "responsible party". For this scenario, we do not anticipate the need for BCI to perform any investigation. We anticipate that conditions of the property title transfer will require the current owner to deliver an appropriately remediated site. For estimating purposes we include a fee estimate to review, on the City's behalf, the investigation/remediation reports and site closure documents from others.

3.1.7.2 Building Materials

This option is for full, or partial "take" where interchange improvements will require demolition of an existing structure. We anticipate the project mitigation monitoring and reporting program will indicate that prior to demolition and removal of any structures the City shall have a consultant investigate these structures for the presence of asbestos and/or lead; therefore, a lead and asbestos survey will be required

The asbestos pre-demolition surveys will be conducted in accordance with Federal EPA and local air quality management district's regulations. The survey will include identification and sampling of all accessible friable and non-friable asbestos containing materials. The primary purpose of the lead inspections are to identify work involving lead and assist the contractors conducting the demolition work to comply with Cal/OSHA's regulatory requirements for Lead-Work Pre-Job Notification. These inspections will be conducted utilizing a Niton XRF instrument in conjunction with bulk materials sampling to identify lead-based paint.

Based on results of the survey and testing, we will provide a report of conclusions and recommendations.

3.1.7.3 Aerially Deposited Lead (ADL) Evaluation

There is a potential for encountering ADL during grading activities along State Route 99, which will need to be evaluated to aid in project design.

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For this task, BCI proposes a typical screening, however, we will need to meet with Caltrans to obtain concurrence on our screening procedure. We propose the following general screening procedure:

- Excavate approximately 25 shallow borings with samples collected from 0-2", 6-12", and 18-24" inches below the ground surface. Borings would generally be 150 feet apart and collected from the unpaved shoulder of the State Route 99 (within 150 feet of the traveled lanes).
- Analyze a maximum of 75 samples for total lead and 15 samples for soluble lead.
- Analyze the results and prepare a Draft Summary Report of findings and mitigation for City and Caltrans review.
- Incorporate City and Caltrans comments into a Final Summary Report for submittal to the City and Caltrans.

The potential exists to encounter asbestos and lead paints in roadway structures that will be removed for site improvements. We have not included evaluation of these items in our scope. We expect that the project contractor will provide a professional trained to identify building materials containing asbestos and lead and mitigate appropriately.

3.1.8 Traffic/Circulation

F&P will prepare the transportation impact section of the environmental document based on findings from the Traffic Operations Report. This task assumes that no new analysis will be prepared. The administrative draft transportation impact section will be prepared according to the format provided by MT. Up to four hours has been budgeted to respond to comments on the administrative draft. Up to 12 hours has been budgeted to respond to comments on the public draft transportation impact section. Responses to the public draft comments will be provided in a technical memorandum upon receiving a single set of written comments.

3.2 Prepare Initial Study/Mitigated Negative Declaration

3.2.1 Administration Draft IS

Based on preliminary review of the project, we presume that it will be feasible to avoid significant project impacts through project design or mitigation. This presumption will be examined early in the environmental process with Mark Thomas & Company and the City of Lodi to confirm that a Mitigated Negative Declaration is the appropriate CEQA documentation for this project.

The IS/MND will include a description of the proposed projects, describe the environmental setting, identify effects of the proposed project, and recommend mitigation measures to avoid, reduce, or mitigate for those impacts. In preparing the IS/MND, we will follow the State and Caltrans CEQA guidance and formats available on Caltrans Standard Environmental Reference website. The IS will be in a checklist form, with focused discussion of the key issues only.

Work Plan

Based on information provided by Mark Thomas & Company, the following issues will be dismissed as

“No Impact” with minimal discussion:

- Aesthetics
- Agricultural resources
- Geology and soils
- Mineral resources
- Population and housing
- Public services
- Recreation
- Utilities and service systems

The following issue areas will be discussed; however, it is anticipated that impacts will be less than significant with mitigation:

- Air quality (temporary construction impacts as well as long-term operational impacts; modeling will be conducted)
- Noise (temporary construction noise as well as long-term vehicular traffic noise; modeling will be conducted)
- Hazards and hazardous materials (two gasoline stations within the study area with known soil and/or groundwater issues)
- Hydrology and water quality
- Transportation/traffic

We anticipate the bulk of the discussion and analysis will focus on the following issue areas:

- Biological resources (including potential removal of Swainson’s hawk foraging and burrowing owl habitats, and wetlands)
- Cultural resources

The following technical studies provided by Mark Thomas & Company will be utilized in preparation of the IS/MND:

- The analysis of traffic and transportation will be based on a separate traffic study for the project provided by Mark Thomas & Company.
- The hazardous materials analysis will be based on a hazardous material study provided by Mark Thomas & Company.
- The hydrology and flooding analysis will be based on the location hydraulic study provided by Mark Thomas & Company.

Jones & Stokes will provide up to five copies each of three rounds of the Administrative Draft IS/MND (one for City review, a second that incorporates City comments for Caltrans review, and a screen-check final that

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incorporates Caltrans comments). Additional rounds of revisions can be accommodated on a time and materials basis.

- Deliverable: 5 copies of the Administrative Draft IS/MND
- Schedule for first admin draft: 4 weeks following approval of technical studies by Caltrans

3.2.2 Public Draft IS/MND

Jones & Stokes Associates will prepare the IS/MND for public circulation and review. We anticipate the City will hold a public meeting during the public review period to obtain comments on the initial study. Our cost includes a maximum of 8 hours to attend and assist the City in preparation for the public meeting.

- Deliverable: Up to 50 copies of the IS/MND for public review
Attendance at public meeting
- Schedule for first admin draft: 2 weeks following approval of revised IS/MND by PDT

3.2.3 Prepare Responses to Public Comments, Notice of Intent to Adopt an MND, and Notice of Determination and Mitigation Monitoring Plan

Jones & Stokes will review public comments and prepare responses to any substantive written comments in consultation with Mark Thomas & Company and the City of Lodi. We have assumed a maximum of 16 technical hours will be required to prepare responses to comments. We assume that no new technical analyses will need to be prepared; comments requiring new analysis could require a budget adjustment and/or affect the schedule. We will also prepare a draft mitigation monitoring plan (MMP) for the City's use, based on the mitigation measures included in the MND.

Jones & Stokes will prepare a Notice of Intent (NOI) to adopt an ND or MND and a Notice of Determination (NOD) for review, filing, and posting by the City.

- Deliverable: 10 copies of responses to comments on the IS/MND and Notice of Determination
- Schedule for first admin draft: 4 weeks following receipt of complete comments; final document to be prepared 2 weeks following approval of admin draft by PDT

Task 4 – Public Outreach

Judith Buethe from Judith Buethe Public Relations (JBPR) will act as public outreach coordinator for this project. The interchange project is not viewed as controversial; however, Caltrans typically requires a public workshop on projects at the PA&ED phase to make sure that the public and interested agencies are aware of the project. The approach for public outreach will focus on:

- Property owners and employers/employees of parcels affected by the project
- Interested citizens and public agencies in Lodi

Work Plan

Outreach to these groups will take place via the public workshop, information to the City of Lodi Public Works Department staff to present to the City Council and posting on the City's web page. Following are specific tasks proposed for outreach.

4.1 Confirm Stakeholders - This task will involve developing a listing of affected property owners, businesses and public agencies expressing interest in issues relating to the Route 99 and the interchange. Also at this time, JBPR will identify relevant community groups. JBPR will create and maintain a coded stakeholder database of interested and potentially interested parties, e.g., affected property owners, businesses and public agencies, nearby residents, community groups, elected officials, and other pertinent individuals and groups. The database will be coded according to interest and involvement with the project and will be updated as needed with names from the public meeting sign-ins and from telephone, email and personal contacts. JBPR will also schedule, facilitate, and record up to five 1-on-1 meetings with pertinent property owners and/or businesses adjacent to the project.

4.2 Conduct Public Meeting/Workshop - Based on our recent experience with Caltrans District 10 and FHWA, we suggest a map display/public workshop to be held in conjunction with review of the draft environmental document. This task will require:

- Coordinating the meeting logistics (location, room set-up, refreshments, collection and recording of comments, signage)
- Developing and mailing a project information mailer to nearby residents that will provide project background and act as a meeting announcement and a letter of invitation to the stakeholder database.
- Preparing and distributing a news release
- Announcing and staffing telephone and Internet Hotlines and maintaining a Hotline log that will be distributed to the members of the PDT

Based on recent projects and our understanding of the project, we do not anticipate the need for a second meeting during the PA&ED phase.

4.3 Public Outreach Miscellaneous - JBPR will provide miscellaneous outreach services including the following:

- 1) Hotline phone number for the public to call with comments. The phone calls will be logged and distributed to the PDT members.
- 2) Arrange for , attend, and prepare minutes of 1-on-1 property owner meetings.
- 3) Working with the City and Caltrans, prepare one (1) news release for the local paper.
- 4) Design and upload a project website.
- 5) Prepare meeting minutes.

[illegible]

EXHIBIT A

MARK THOMAS & COMPANY, INC.

CHARGE RATE SCHEDULE "D-1"

EFFECTIVE APRIL 2, 2007

HOURLY CHARGE RATES

PROFESSIONAL AND OFFICE

Principal/Project Manager	\$ 275.00 per hour
Engineering Manager	236.00 per hour
Senior Project Manager	192.00 per hour
Project Manager	172.00 per hour
Senior Project Engineer	155.00 per hour
Project Engineer	142.00 per hour
Senior Design Engineer	130.00 per hour
Design Engineer	105.00 per hour
Survey Manager	175.00 per hour
Land Surveyor	150.00 per hour
Project Surveyor	130.00 per hour
Engineering/Survey/CADD Technician	100.00 per hour
Inspector	102.00 per hour
Technical Writer	85.00 per hour
Design (Tech Assistants)	80.00 per hour
Administrative	70.00 per hour

ENVIRONMENTAL/PUBLIC RELATIONS SERVICES

Environmental Manager	\$ 165.00 per hour
PR/Communications Manager	140.00 per hour
Environmental Planner	125.00 per hour

FIELD

2 Person Field Party and Vehicle	\$ 270.00 per hour
3 Person Field Party and Vehicle	360.00 per hour

SPECIAL SERVICES

Expert Witness	\$ 350.00 per hour
Strategic Consulting (Principal)	350.00 per hour

OTHER DIRECT COSTS

Reimbursables (Printing and Materials, Mail and Delivery Expenses, Film Expenses, Filing Fees, Parking and Field Expenses)	-Cost plus 5%
Mileage	-Per IRS Rate
Outside Consultant Fees	-Cost plus 5%

RESOLUTION NO. 2008-_____

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING
THE CITY MANAGER TO EXECUTE A PROFESSIONAL
SERVICES AGREEMENT WITH MARK THOMAS & COMPANY,
INC., FOR PREPARATION OF STATE ROUTE 99/HARNEY
LANE INTERCHANGE PROJECT STUDY REPORT AND
PROJECT REPORT, FURTHER AUTHORIZING THE CITY
MANAGER TO EXECUTE COOPERATIVE AGREEMENT WITH
SAN JOAQUIN COUNCIL OF GOVERNMENTS, AND
APPROPRIATING FUNDS FOR THIS PROJECT

=====

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby authorize the City Manager to execute Professional Services Agreement with Mark Thomas & Company, Inc., for preparation of State Route 99/Harney Lane Interchange Project Study Report and Project Report; and

BE IT FURTHER RESOLVED that the City Council does hereby authorize the City Manager to execute a Cooperative Agreement with the San Joaquin Council of Governments; and

BE IT FURTHER RESOLVED that funds be appropriated as follows:

Surface Transportation Program Grant:	\$458,914.00
Measure K Grant:	\$214,086.00

Dated: January 16, 2008

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I hereby certify that Resolution No. 2008-_____ was passed and adopted by the City Council of the City of Lodi in a regular meeting held January 16, 2008, by the following vote:

AYES: COUNCIL MEMBERS –

NOES: COUNCIL MEMBERS –

ABSENT: COUNCIL MEMBERS –

ABSTAIN: COUNCIL MEMBERS –

RANDI JOHL
City Clerk

2008-_____